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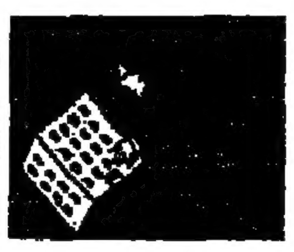

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WORLD NEWS

Israeli cabinet agrees to return land to Palestinians

Israel's cabinet gave the go-ahead for a phased handover of West Bank land to the Palestinians, paving the way for the implementation of last month's Wye peace accord. The vote, narrowly won by Benjamin Netanyahu, Israeli prime minister, is the first time a Likud-led government has agreed to hand over land to the Palestinians. **International, Page 10**

Battle rages over Russian TV
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Support grows for budget freeze
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German business confidence falls
German business confidence fell in October for the second month running, pointing to a significant deterioration in economic growth next year. **Europe, Page 2**

Boost for Brazil austerity plan
The Brazilian government's fiscal austerity plan has won two important victories in Congress, including the approval of a tax increase for companies. **Americas, Page 6**

Microsoft 'maintained monopoly'
The first economics expert to testify in the Microsoft antitrust trial said the world's largest software company had maintained its monopoly power since the early 1990s despite rapid technological change in the computer industry. **Americas, Page 6**

Japan trade surplus with US up
Japan's politically sensitive trade surplus with the US rose 32 per cent in October to Y719bn ($5.9bn), mainly as a result of a fall in imports caused by sluggish domestic economic activity. **Asia/Pacific, Page 4**

Obuchi close to expanding tax cuts
The Japanese government moved closer to expanding tax cuts in order to stimulate the ailing economy, after agreeing with the opposition Liberal party to form a coalition by early January. **Asia/Pacific, Page 4**

Indonesia rupiah shrugs off unrest
The rupiah defied political unrest and continued to rise, amid encouraging economic data and World Bank studies indicating the economic crisis's social impact was less dramatic than had been forecast. **Asia/Pacific, Page 4; Editorial Comment, Page 15**

Sun rises on space exploration
A Russian rocket is due to lift into orbit this morning, the first component of a $40bn international space station to be built 400km above the earth. **International, Page 10**

Monet fetches $9m in New York
An idyllic boating scene by Monet, "Canotiers à Argenteuil", sold for $9m at Christie's in New York on Wednesday night.

BUSINESS NEWS

Paris bourse to join London-Frankfurt exchange alliance

The Paris bourse has agreed to join the alliance set up by the London and Frankfurt stock exchanges to create a single system for trading shares in European blue chip companies. The decision ends French attempts to create a rival alliance with other European bourses. **Companies and Markets, Page 17; Nine into one will go, Page 18; Setback for Vienna, Page 28**

Texas Instruments of the US and South Korea's Samsung Electronics are to close a semiconductor plant in northern Portugal, one of the country's biggest foreign investments, with the loss of 750 jobs. **Europe, Page 3**

The world's two biggest energy futures exchanges in New York and London have entered into merger talks that could lead to the creation of the first global energy exchange. **Companies and Markets, Page 17**

Shares in PetroFina, the Belgian oil and petrochemicals group, again rose sharply amid speculation that it could be taken over by Elf Aquitaine, the French oil company. **European companies, Page 18; Lex, Page 16**

Cendant, the troubled US direct marketing and franchising group, is today expected to announce the sale of its consumer software unit to Vivendi, the French utilities group. **Companies and Markets, Page 17**

KPN, the Dutch group, and Qwest, the US communications carrier, are to create Europe's biggest network for internet traffic, in a venture that may lead to joint activities in other areas of the telecommunications market. **European companies, Page 18**

Japan's ministry of finance is set to announce the sale of 1m shares in NTT, the telecommunications group, in what will be one of the top 10 offerings of this decade. **Asia-Pacific companies, Page 19**

Sidor, the Venezuelan steel producer, has closed two plants due to depressed global steel prices and falling domestic demand. **American companies, Page 20**

Baan, the Dutch business software group, announced that Jan Baan is to cut all boardroom ties with the company he founded 20 years ago. **Companies and Markets, Page 17**

Mannesmann, the German conglomerate, reported a 20 per cent rise in nine-month sales and said full-year profits would better 1997's record earnings. **European companies, Page 18**

Petrovietnam, Vietnam's state-owned oil company, and Russia's state-run Zarubezhneft have signed an $800m agreement to establish Vietnam's first big oil refinery at Dung Quat in the Quang Ngai province. **Trade, Page 5; Observer, Page 15**

Ameritrade, the US online stock broker, has announced a link-up with Bank 24, Deutsche Bank's online subsidiary. **International companies, Page 22**

Lex on Bertelsmann
Bedding down well after the binge
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Lafontaine seeks EU pact on growth

By James Blitz in Rome, Michael Smith in Brussels and Christopher Adams in London

Oskar Lafontaine, the German finance minister, yesterday used a whistle-stop tour through Rome and London to try to forge a common European economic policy ahead of the formation of the euro-zone at the start of next year.

With finance ministers from Europe's centre-left governments meeting this weekend, Mr Lafontaine sought to secure broad agreement on ways to boost growth and fight unemployment, claiming this was "the central objective of the new economic policy among European states".

In Rome, Mr Lafontaine met Carlo Azeglio Ciampi, the Italian Treasury minister, for the first time.

Both stressed that closer co-operation was needed between European Union governments and the new European Central Bank to achieve a "mix" of fiscal and monetary policies that would boost growth and create jobs.

Last night Mr Lafontaine was having talks in London with Gordon Brown, UK chief finance minister. Mr Brown has put forward his own proposals on economic reform in Europe, as part of a campaign to liberalise employment and product and capital markets.

In a joint communiqué, Mr Lafontaine and Mr Ciampi stressed that the Ecofin council of European Union finance ministers and the ECB should begin a "continued and constructive collaboration" to achieve "budgetary and monetary policies that favour growth and stability".

Mr Lafontaine said: "We need to have consultation between governments and central banks on the state of the economy so that the mix of economic policies is in line with these objectives."

The call by both finance ministers for closer involvement between Ecofin and the ECB is expected to disappoint members of the permanent central bank executive in Frankfurt who would prefer to come to an independent judgment on the level for the euro interest rate.

But Mr Lafontaine stressed that, in the wake of German unification in the early 1990s, unemployment had gone up because of the mix of fiscal expansion by the German government and tighter monetary policy by the Bundesbank. "We must not fall into the same trap again," he sud.

Mr Ciampi reiterated calls for a more flexible interpretation of the growth and stability pact agreed by heads of government, which sets strict limits on the budget deficits that members of the new euro-zone can strike up.

"There are margins for flexibility linked to the evolution of the economy," Mr Ciampi said. He added that the possibility of excluding investments from the calculation of national budgets was "within the rules" regarding the strict limits that must be adhered to by members of the euro-zone.

Beating the drum, Page 2

Straight talk: President Clinton taking questions in a Tokyo TV studio

Clinton sees off Monica question

By Gerard Baker in Tokyo

It fell to a housewife from Osaka to ask President Bill Clinton something no American has yet managed to put to their chief executive.

"I have a question regarding Miss Monica Lewinsky," she said. "How did you apologise to Mrs Clinton and Chelsea? I feel I would never be able to forgive my husband for doing that, but did they really forgive you?"

Until that moment, Mr Clinton had been enjoying a friendly "meet the people" exchange with Japanese citizens, broadcast on television across the country on the first night of his five-day trip to Asia.

The audience obediently lobbed their guest gentle questions about his favourite food: chicken enchiladas, apparently, though he likes sushi too; his school record – he got "mostly" good grades; and his hopes for his political legacy – "restoring American self-confidence".

It was all a long way away from Washington where Kenneth Starr, the independent prosecutor, was about to begin his testimony to the House of Representatives' Judiciary Committee, outlining why he believed the president should be impeached.

Mr Clinton barely flinched when the Lewinsky question came, replying calmly that he had told his wife and daughter about his affair with the 21-year-old intern "in a direct and straightforward manner", and he hoped they had forgiven him. "But that's really a question you could ask them better than me," he smiled.

The programme moderator, mortified as only a Japanese host can be when an honoured guest has been embarrassed, quickly intervened.

"Let's change the subject," he said. "Let's talk about bilateral relations between Japan and the US."

Mr Clinton slid effortlessly into his well-honed technique of appealing directly to the citizens of a country to press for change, telling his audience not to be discouraged by their leaders' current inability to restart a stalled economy.

"Ten years ago," he reminded them, "people said America's best days were behind it." But the US had learnt from Japan's strengths and its economy was now strong again. Japan in turn could now learn lessons from what the US had gone through.

Japan trade surplus, Page 4
Democrats target Starr, Page 6

UK presses for tighter curbs from offshore tax havens

By George Graham and Robert Wright

The UK government is to press the Channel Islands and the Isle of Man to tighten restrictions on offshore companies and start co-operating with foreign criminal investigations following a review of financial regulation in the islands.

Lord Williams, a UK home office minister, is to chair a series of meetings with Jersey (the largest of the Channel Islands between England and France), Guernsey, and the Isle of Man (between England and Ireland), starting in January, to follow up a long list of reforms proposed by Andrew Edwards, a former UK Treasury official, in a report published yesterday.

Mr Edwards praised the efforts made by the islands, which are self-governing dependencies of the British crown, to improve standards in their £350bn financial industry.

"The islands are clearly in the top division of offshore finance centres," he said. According to the report, a third of investments held there come from UK residents, the rest from around the world.

His report also presents detailed recommendations for sweeping reforms, focusing especially on the rules for setting up offshore companies and trusts used to shelter assets from tax or from outside scrutiny.

Representatives of the three islands' governments promised to co-operate in implementing Mr Edwards's proposals, but there is fierce resistance to some recommendations.

"We certainly accept the recommendations and welcome them, but that doesn't mean we accept every one as written," said Sir Miles Walker, chief minister of the Isle of Man.

All three islands continue to resist Mr Edwards's suggestion that they should require companies to file audited accounts. The Isle of Man also resists his recommendation that it should vet companies set up on the island, arguing that new measures to control company agents will solve the problem.

More than 42,000 companies are registered in the Isle of Man, more than half of which are tax-exempt or have a non-resident tax status.

The report says these companies are "a source of concern because of the potential they offer for concealment of disreputable purposes".

Mr Edwards said the islands' status as tax havens was outside the scope of his report. But pressure on these jurisdictions is mounting from the European Union, where Mario Monti, single market commissioner, is pushing for tax harmonisation.

Islands must act on company regulation, Page 11
Editorial Comment, Page 15

BP, Amoco face Turkish sanctions

By Leyla Boulton in Ankara and Robert Corzine in London

Turkey is set to retaliate against British Petroleum and Amoco of the US for their opposition to the early construction of a pipeline from the Caspian Sea to the Turkish port of Ceyhan.

The government is believed to have ordered Tupras, the state-owned company that operates four of the country's five refineries, to suspend crude oil purchases from the two companies.

BP, which is due to take over Amoco by the end of the year, said it had not been officially informed of any proposed restrictions, but said: "We would consider the circumstances very carefully if they did notify us."

Yurdakul Yigitguden, under secretary at the Turkish ministry of energy, also declined to confirm the suspension, which was reported in a Turkish newspaper yesterday. "It is understandable that nobody can put an embargo on a company or a consortium in a developed market economy but ... naturally Turkish companies want to understand which [foreign] companies are interested in the future prospects of Turkey."

BP said punitive actions would have a minimal impact on its overall business, but could limit future access to the growing Turkish market. It is understood that among the sanctions, BP's purchases next year of refined products from Tupras would be restricted to 1997 levels. Amoco would be shut out of a $1bn project to supply liquefied natural gas from Egypt to a proposed terminal near Izmir on the Aegean Sea.

Direct Turkish government pressure would be the latest twist in a long-running wrangle between Ankara and the BP-led international consortium developing three offshore Azeri fields.

In recent weeks Turkey, with US government backing, has intensified its lobbying for the contentious pipeline to Ceyhan, even though most consortium members say there are not enough guaranteed export volumes to justify its cost, estimated to be as much as $4bn. All consortium members except TPAO of Turkey favour a shorter route from the Caspian to Supsa in Georgia.

Mr Yigitguden last night complained that some foreign companies had acted "unethically" in seeking to discredit the Ceyhan project. The government still believed the pipeline would cost $2.3bn, unlike "companies which change their figures every week".

He also revealed that Turkey would not make public a package of further incentives to make the pipeline more attractive unless BP and the other companies concerned first stated their interest in the project in principle.

WORLD MARKETS

STOCK MARKET INDICES		
New York: Lunchtime		
Dow Jones Ind Av	9,031.85	(-9.26)
NASDAQ Composite	1,915.31	(+17.87)
Europe and Far East		
CAC40	3,706.76	(+94.26)
DAX	4,795.69	(+96.97)
FTSE 100	5,506.2	(+132.2)
Nikkei	14,354.45	(-244.77)
US Lunchtime RATES		
Federal Funds	4.56%	
3-mth Treas Bills: Yld	4.44%	
Long Bond	100¼	
Yield	5.25%	
OTHER RATES		
UK: 3-mo Interbank	6⅞%	(6¾%)
UK: 10 yr Gilt	132.74	(132.80)
France: 10 yr OAT	134.93	(134.46)
Germany: 10 yr Bund	105.50	(105.33)
Japan: 10 yr JGB	108.45	(108.55)
NORTH SEA OIL (Argus)		
Brent Dated	$10.54½	(10.215)

GOLD		
New York Comex	$295.8	(297.8)
London	$296.25	(297.15)
EXCHANGE RATES		
Dollar		
New York Lunchtime		
£	1.6685	
DM	1.6838	
FFr	5.6448	
SFr	1.3856	
Y	119.825	
London		
£	1.6681	(1.6735)
DM	1.68	(1.6676)
FFr	5.6322	(5.5906)
SFr	1.3815	(1.3733)
Y	118.8	(121.325)
Tokyo Close		Y 122.05
Sterling		
DM	2.8024	(2.7907)

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MEDIA TUSSLE KEY CHANNEL OWES BILLIONS OF ROUBLES ■ YELTSIN IS DRAGGED INTO OWNERSHIP DISPUTE

Battle rages over Russian TV station

By John Thornhill in Moscow

ORT, the main Russian television channel, has said it may be forced to go on air today without video footage shot outside the studios, after bailiffs began proceedings to seize property.

The television channel, 51 per cent owned by the government, is the subject of a ferocious battle for control ahead of parliamentary and presidential elections scheduled for December 1999 and the summer of 2000. It also owes billions of roubles in unpaid transmission charges.

Victor Ilyukhin, a Communist deputy who has close contacts with the security services, has stirred up further controversy over ORT by alleging in parliament that President Boris Yeltsin was personally given control over 26 per cent of the television channel's shares in 1994 for a period of three years.

Mr Ilyukhin's allegations were seemingly confirmed by Boris Berezovsky, the influential businessman and minority shareholder in ORT, in a television interview on Wednesday night. Mr Berezovsky, however, said the controversy had been blown up by the security services and required fuller explanation. The Kommersant newspaper also published documents yesterday purportedly detailing the share transaction.

The Kremlin denied Mr Yeltsin had ever owned shares in ORT. "The president does not know about any such riches in his hands," said Oleg Sysuyev, deputy head of the presidential administration.

ORT also denied Mr Yeltsin had ever owned shares in the company, but said the government must shore up the station's finances if it wanted to preserve a responsible media. Mr Sysuyev promised the state would fulfil its funding obligations to ORT. "If we do not want extremist politicians to come to power then we must strengthen the freedom of speech, including materially," he said.

Sergei Markov, a professor of politics at Moscow State University, said the Communist party had long argued for greater scrutiny over ORT, which played an influential role in securing Mr Yeltsin's re-election as president in 1996.

"The Communists began their struggle to gain more control over the media in the middle of September. It will be a key political issue over the next few months because of its importance in determining the parliamentary and presidential elections," Mr Markov said. Media analysts said the lack of state funding for ORT had allowed powerful private shareholders, such as Mr Berezovsky, to exert considerable editorial influence over the television channel.

Brussels row over duty-free job losses

By Emma Tucker in Brussels

The European Commission yesterday came under fire for failing to act to offset job losses resulting from the abolition of European duty-free sales in June next year.

The International Duty Free Confederation (IDFC) said a Commission report outlining the options available to member states to cope with the consequences of the new regime was a "smoke screen".

"This Commission document is an insult to member states and, most importantly, the tens of thousands of EU workers whose jobs are now being threatened," said David Zimmer, secretary-general. "It offers nothing new and tells us nothing new."

EU finance ministers called on Brussels in May to spell out regional aid measures that could be used to assist areas such as airports and seaports where duty-free shops have proliferated.

They ordered the report after confirming that duty-free shopping would be scrapped next year, in keeping with a 1991 agreement aimed at eliminating tax distortions within the EU's single market.

The Commission said its report could be used as "a basis for identifying the most appropriate measures to counteract possible regional, local or social difficulties". These included regional structural funds and some state aid. It pointed to an initiative to help small and medium-sized enterprises adapt to the single market, which "still has significant allocations of funds at its disposal" up until the end of next year.

Member states are allowed to use state aid to fulfil legitimate public service obligations in the transport sector in certain circumstances. For example, if scrapping duty-free sales risks the viability of flights serving outlying regions, member states could, in certain circumstances, impose a public service obligation on the air transport operator.

Operating subsidies could also be granted to ferry companies if a route considered to serve the public interest was put in jeopardy by abolition, said the Commission.

The IDFC said the Commission's suggestions were "general in nature" and demanded long and complicated procedures.

The Federation of Transport Workers' Unions in the EU said the Commission had deceived people with "empty promises of adequate funding" to aid those workers affected.

EU SPENDING PLANNED INCREASES FOR 2000-2006 ARE COMING UNDER THREAT

Support grows for budget freeze

By Michael Smith in Brussels

Ambitious plans to increase European Union spending in the new millennium are under threat as a campaign among member states for a budget freeze gathers momentum.

Finance ministers are expected to voice growing concerns about European Commission plans for a big increase in the EU budget for the years 2000 to 2006 when they meet in Brussels on Monday.

At least six of the EU's 15 member states are in favour of freezing the budget at 1999 levels as part of the solution to complaints from Germany, Austria, Sweden and the Netherlands – net contributors to the EU budget – that they are paying too much. Others are considering either joining them or seeking a cut in the proposed budget.

France and the UK are, along with the four net contributor complainants, strong supporters of budget "stabilisation". Italy is thought to see attractions in paring back spending plans and the Finnish government will decide its position today. However, the European Commission, the EU's executive, is resisting a freeze because of the potential impact on its Agenda 2000 proposals for reforming the common agricultural policy (CAP) and regional aid, which together account for the bulk of the EU's annual payments of about Ecu85bn ($100bn).

It has proposed a budget of Ecu105bn for 2006. It fears that a freeze at 1999 levels would limit the EU's ability to fund CAP reforms which would add about Ecu3bn a year to the farm budget.

Cutting back spending could also limit plans for big increases in aid for economically disadvantaged regions. Spain, the largest recipient of regional aid, is opposed to a budget freeze, while Ireland is among countries with strong reservations.

In a paper drawn up at the request of the EU's Austrian presidency, Commission officials say a freeze could cut allocation in 2000 to 2006 for the structural funds, mainly regional aid, to between Ecu175.2bn and Ecu182.5bn, less than the Ecu190.5bn scheduled for 1993-9.

Keeping administrative expenditure at 1999 levels could entail a cut in Commission staff of 2 per cent a year, the paper says. This assumes increased expenditure on pensions and maintaining spending on buildings.

Some member states believe this is overly pessimistic. They say the structural fund allocation for 1993-9 has not all been used.

After an initial discussion this week among member state diplomats, the Austrian presidency of the EU concluded that eight countries considered the Commission's paper was a "realistic and reasonable basis" for further work. Six delegations had misgivings or opposed it outright.

The move towards tighter financial discipline follows Commission suggestions that the budget contributions problem could be resolved by switching part of farm financing back to member states or phasing out the UK budget rebate.

Any change in the revenue side of the EU budget has to be approved unanimously by member states.

Business confidence in Germany declines

By Wolfgang Münchau in Frankfurt

German business confidence fell sharply in October for the second month running, pointing to a significant deterioration in economic growth next year.

The Ifo index of the business climate, a leading indicator of economic activity, declined from 94.1 in September to 92.4 in October. A figure of 100 indicates that no change is expected.

Analysts said the fall in the index was caused by concern about the tax plans of the new Social Democrat-led government and the renewed strength of the dollar. The index now stands at its lowest level since December 1996.

Stephan Monissen, European economist at Salomon Smith Barney, estimated the current index level was consistent with economic growth of only between 1.0 per cent and 1.5 per cent next year.

"If we still had the previous conservative finance ministers, the central banks would already have cut interest rates. But in the current situation I believe they will wait and see," he said.

At its regular bi-weekly meeting, the Bundesbank yesterday left the benchmark securities repurchase rate unchanged at 3.3 per cent, despite the rate cut by the US Federal Reserve earlier this week.

The Bundesbank warned, however, that M3, an indicator of broad money, had been growing vigorously in recent months, rising from an annualised rate of increase of 4.9 per cent in September to 5.3 per cent in October. An expansionary trend in M3 would normally indicate a strong pick-up in economic conditions.

Wim Duisenberg, president of the European Central Bank (ECB), said recently that monetary aggregates would play an important role in the ECB's future monetary policy strategy. The rise in German M3 suggests the ECB could find it difficult to justify a future rate cut on the basis of monetary aggregates, granted that Germany will account for one third of the euro-zone economy.

Senior central bankers say privately they are astonished by the gap between pessimistic confidence indicators, such as the Ifo index, and published economic data, which continue to point to an expanding economy.

Most analysts still expect the ECB to cut interest rates below the current benchmark of 3.3 per cent sometime during the first quarter next year.

● Swedish manufacturing industry has also become more pessimistic following a sharp decline in export orders and slowing production growth, writes Tim Burt in Stockholm.

The country's October business tendency survey showed that only one in four companies expected production volumes to rise over the next few months, while many anticipated further price cuts for finished goods.

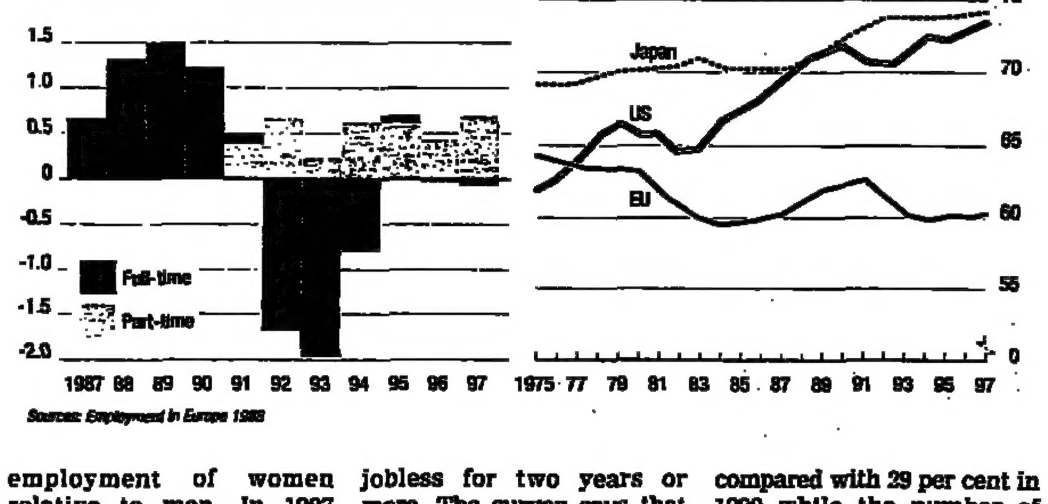
"Manufacturing and mining activity has weakened significantly in recent months," according to the National Institute of Economic Research. One in three manufacturers described their order books as too small and domestic demand was said to be flat.

It's here: a wine merchant in Paris pours a glass of this year's Beaujolais Nouveau for customers to taste. Beaujolais Nouveau, a young wine harvested just two months ago, goes on sale every year just after midnight on the third Thursday of November, giving wine lovers a first taste of the 1998 vintage Reuters

Jobs recovery led by part-time growth

Survey shows no increase in full-time positions in European Union over past five years

By Robert Taylor, Employment Editor



Source: Employment in Europe 1998

A net growth in temporary and part-time jobs accounts for Europe's current modest employment recovery, according to the annual survey published by the European Commission.

It reveals there has been no net increase in the number of full-time jobs in the European Union over the past five years.

The survey also indicates the EU employment rate (the total number of people in paid work relative to working-age population aged between 15 and 64) was 60.5 per cent last year, only 0.5 per cent higher than at the end of the last recession in 1994. "There is still some way to go before the rate reaches an acceptable level," it says, pointing out that in 1965 the rate was around 66.5 per cent.

Only in Ireland, Luxembourg and the Netherlands has the employment rate risen significantly above the level it was in the early 1990s. It was also in those countries where the highest rate of output growth took place.

The survey shows there has been increased employment of women relative to men. In 1997 women accounted for almost two-thirds of the net additional jobs created in the EU, with an annual 1 per cent growth rate since 1994.

For men the rise in employment was only 0.2 per cent a year. But the fall in women who are unemployed has been slight at 0.2 per cent since 1994 compared with a nearly 1 per cent decline for men.

As many as 49 per cent of the EU employed had been without work for 12 months or more, with 30 per cent jobless for two years or more. The survey says that "the long-term rate has not fallen as much as the overall rate, which suggests that employment is not yet growing fast enough to reduce the former significantly as it did in the late 1980s".

Between 1994 and 1997 the number of part-time jobs rose by nearly 2.5m, a 10 per cent increase while the number of full-time jobs fell by 125,000.

The proportion of women in part-time employment was 32 per cent last year, compared with 29 per cent in 1990 while the number of part-time male workers increased to 6 per cent from 4 per cent over the same period.

Only in Ireland, Luxembourg and the Netherlands has the employment rate risen well above early 1990s levels

Temporary jobs account for all the net growth in male employment since 1994 while temporary work accounted for 40 per cent of the net increase in female employment. The survey found that as many as 56 per cent of both men and women in the EU in work last year who had been unemployed a year earlier were employed in jobs on fixed-term contracts.

The survey also found just over 70 per cent of the increase in EU jobs over the past three years were accounted for by growth in only five sectors – business services, health and social services, education and recreational activities. Just over half the jobs lost over the same period were in agriculture, textiles, iron and steel, retailing and wood industries.

The UK has the widest wage dispersion among EU workers, with the highest 10 per cent of wage-earners having a pay level more than 80 per cent above the EU average, followed by France, Spain and Greece. The narrowest wage dispersions were in Finland, Sweden and Denmark.

The survey demolishes the view that a wide earnings dispersion tends to encourage greater net job creation. The employment rate is above average in Denmark and Sweden, where wage dispersion is the narrowest.

Small companies have contributed disproportionately to employment growth in the services sector over the past four years. Only just over a quarter of jobs were accounted for by large enterprises in the private sector.

Employment in Europe 1998, available from Official Publications of the European Communities, L/2985 Luxembourg, Ecu15.

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NEWS DIGEST

VOLUNTARY RESTRUCTURING

Deutsche Bank and Russia agree over bonds

Deutsche Bank and the Russian ministry of finance said yesterday they had reached an agreement in principle on the terms of a voluntary restructuring of all GKO treasury bonds and OFZ long-term obligations maturing between August 19 1998 and December 31 1999.

They said the agreement was subject to finalisation of a detailed summary of terms and was reached after a three-day meeting in London between the Russian finance ministry and central bank officials, and creditors holding GKOs and OFZs, chaired by Deutsche Bank.

The "arrangements contemplate a mechanism allowing for the periodic conversion and repatriation of roubles into dollars," a joint statement of Deutsche Bank and the Russian finance ministry said.

It also said the Russian central bank had agreed to work with foreign investors to reach agreement on a "consensual and constructive basis of the sums due to foreign creditors by Russian banks under foreign exchange contracts" entered into before the rouble's steep losses.
AFX, London

SEVEN COUNTRIES TO BE HIT

Rail strikes over competition

Railway workers in seven European Union countries will stage strikes next Monday in protest at a proposal by the European Commission to open 25 per cent of the rail freight market to competition over the next 10 years.

Rail services are set to grind to a halt in Belgium, Luxembourg, France, Spain, Portugal, Italy and Greece, the Federation of Transport Workers in the EU (FST) warned. Rail workers in Austria, Germany, the Netherlands and Britain are also planning to voice their opposition to the plans through leaflets, news conferences and letters to transport ministers.

Arguing that the survival of the rail sector was at stake, the Commission recommended in March that at least 5 per cent of national rail freight services be liberalised immediately, rising to 25 per cent within a decade.

"The haemorrhage of jobs will continue unless there is dramatic change," Neil Kinnock, European transport commissioner, said, pointing out that over half a million rail jobs had been lost over the past 15 years and the share of the freight transport held by rail had plummeted.

Recent discussions among EU transport ministers revealed France to be the only EU state still fiercely opposed to partial liberalisation, EU officials said.
Reuters, Brussels

SCHRODER SURPRISE

Pension charge cut delayed

A cut in state pension contributions planned for January 1 will be postponed by three months, Gerhard Schröder, German chancellor, said yesterday.

Contributions to the pay-as-you-go scheme had been expected to fall from 20.3 per cent to 19.5 per cent of gross pay at the start of next year. The shortfall would be funded through increased energy taxes as part of the government's "ecological" tax package.

However, Mr Schröder's surprise announcement, during an opposition-inspired parliamentary debate, delays the change until April 1. That allows time to implement a complex package of measures tightening rules on low paid employment.

In future, so-called "DM620 jobs" would be freed from tax. Instead employers would pay a roughly equivalent sum into overburdened state social security funds.
Ralph Atkins, Bonn

HUNGARIAN PAYMENTS

Budget deficit to rise

Hungary's budget deficit this year will rise from 4.3 per cent of gross domestic product to a maximum of 6.9 per cent because of emergency payments totalling Ft242bn ($1.1bn), the finance minister, Zsigmond Jarai, said yesterday. The payments include capital injections of Ft152bn to Postabank, the troubled state-owned commercial bank, and Ft40bn to the Hungarian development bank. A further Ft50bn will go to the state privatisation company to offset payments to municipalities after the constitutional court ruled that the proceeds of the sale of 50 per cent stakes in the regional gas distribution companies should have been transferred to local governments, and not to the state.

Losses at Postabank have been revised upwards from around Ft100bn to Ft158bn, Mr Jarai said. The government plans to spin off the non-banking interests and sell Postabank as a retail operation in two to three years. The government has said it will report accountants Deloitte and Touche to the police for their handling of the audit of Postabank, Hungarian radio reported.

Deloitte Touche originally put Postabank losses at Ft13bn last year. However a partial audit by KPMG for the first half of this year estimated losses at over Ft100bn.
Kester Eddy, Budapest

ENVOY TO BOSNIA

Call for more peace cash

The office of the international Bosnia envoy, Carlos Westendorp, said yesterday it needed more money to implement an ambitious plan to strengthen the country's peace process next year. The Office of the High Representative, which oversees civilian peace efforts, said "critical tasks" planned for 1999 required an increase in its budget to some Ecu36m ($43m) from Ecu22m now.

Mr Westendorp is preparing recommendations for next year's programme to a meeting in Madrid on December 15-16 of the Peace Implementation Council, which groups 35 countries sponsoring international efforts to rebuild Bosnia. The slow pace of refugees returning to areas where they would be in an ethnic minority is widely seen as one of the biggest shortcomings of the peace process.

The office also said Mr Westendorp would recommend "comprehensive reform" of the judiciary and a reinforcement of the rule of law. "He aims to embed media reform as a means of disseminating objective and professionally gathered information," it added. **Reuters, Sarajevo**

SLOVAKIAN ECONOMY

Pledge to privatise banks

Slovakia's new government yesterday announced its policy programme, pledging to sell off banks and stabilise the economy. The four-party coalition of reformed communists and neo-liberals came to power in late September. The prime minister, Mikulas Dzurinda, said the new administration would restructure and then privatise the country's banks, and foreign investors would be sought to help in the process. "The government wants to contribute to the capital strengthening of the banking sector by the entry of foreign investors," he said. **Reuters, Bratislava**

TURKISH ANGER EXTRADITION DEMAND

Italians see export orders cancelled

By James Blitz in Rome

Italian business is already being hit by the diplomatic crisis between Italy and Turkey, with a host of small and medium-sized companies reporting yesterday that Turkish clients have cancelled contracts.

Companies selling textiles, manufacturing equipment, chemicals and services said they were being inundated with faxes from Turkish companies demanding that Abdullah Ocalan, the leader of the Kurdish Workers' party (PKK) arrested in Rome, should be returned to Ankara. Many clients had cancelled orders in the process.

"We are receiving very powerful pressure from all our Turkish partners," said Emma Marcegaglia, a leading figure in Confindustria, the Italian employers' federation. Federico Galdi, head of international relations at Confindustria, said he feared that "things are about to get a great deal worse" and leading Italian companies could be affected by the dispute.

Ankara is demanding the extradition of Mr Ocalan, but since his arrest last Friday, the Italian government, many of whose members are sympathetic to the Kurdish cause, has appeared increasingly likely to grant political asylum instead.

Amid fears that the row could blow up into a trade war, Massimo D'Alema, the Italian prime minister, expressed anger at the lost contracts. "Economic sanctions against Italy are unacceptable because Italy is abiding by Italian and international law," he told cabinet.

In an attempt to calm the atmosphere, Mr D'Alema had suggested he would be prepared to visit Turkey next week to discuss the fate of Mr Ocalan with Mesut Yilmaz, Turkey's prime minister. But last night the suggested visit was called off after Mr Yilmaz snubbed the offer. Mr D'Alema said that as a result there was less "willingness on the part of the Italian government to enter a dialogue" with Turkey in the spirit of the European Union, which Turkey wished to join.

More than 130 Italian companies have partnerships and direct investments in Turkey. Some of the country's leading brand names – including Fiat, Benetton and Pirelli – have big investments in Turkey. One in three cars on Turkish roads are manufactured in a joint venture involving the Fiat group.

Italian exports to the region have been steadily increasing in recent years and were last year worth L7,500bn ($4.5bn), making Turkey the 12th biggest destination for Italian exports. Imports to Italy from Turkey are much smaller and were worth L2,600bn in 1997.

One fear of Italian companies is that a trade dispute could compound damage already done by the recent Asian and Russian crises, both of which have helped give Italy one of the most sluggish growth rates in the European Union this year.

Fifteen companies that belong to the Italian small business association said yesterday they had received indications of a complete cessation of business with Turkey. Massimo Biancoliani told the Italian daily Il Sole 24 Ore that his textiles company had lost three Turkish orders worth L2bn ($1.2m).

Turkish companies yesterday announced cancellation of all package tours to Italy. Regular sales of Italian scarves through 500,000 retail outlets in Turkey have also been suspended.

Italy targeted as Turks vent their fury over Kurdish troubles

Chris de Bellaigue reports on a groundswell in popular demands for a trade boycott

Kurds (left) demonstrate at the Turkish embassy in Rome and Turks protest outside the Italian embassy in Ankara AP and Reuters

The traffic had slowed to a crawl as motorists hooted their support for demonstrators outside Italy's embassy in Ankara yesterday. "These protests will not stop until that dog is tried in a Turkish court," said one man. "Until then, no Turks will buy Italy's Benetton shirts or their Fiat cars."

The "dog" is Abdullah Ocalan, the Kurdish guerrilla leader who requested political asylum in Italy last weekend, prompting a diplomatic crisis between Rome and Ankara. Mesut Yilmaz, Turkey's prime minister, yesterday illustrated how dramatic the deterioration in relations was when he responded to suggestions that he might have travelled to Istanbul to meet Massimo D'Alema, his Italian counterpart, by saying: "If he wants to meet me, let him come to Ankara."

The crisis has also raised fears that possible Turkish retaliation might take the form of an economic embargo on Italian imports, which totalled more than $3bn in the first nine months of this year. Yesterday an official at Turkey's directorate of foreign trade said that ways of "curtailing foreign trade" had been prepared.

Turkey's leading supermarket chain Migros said yesterday it was halting imports of some Italian goods.

But from many Turks, including those who spent their military service fighting the Kurdish Workers party, the PKK, in south-eastern Turkey, trade sanctions do not compensate for a wider sense of injustice felt about "perfidious Europe".

For them the immediate offender is Italy and its prevarication on what Mr Yilmaz has called a "life-and-death matter for Turkey". This sense of outrage is all the more dramatic because it is Italy that has given Turkey's European Union membership aspirations the most support and has held a broadly pro-Turkey line on the subject of the divided island of Cyprus.

But when Bulent Ecevit, Turkey's deputy prime minister, said on Tuesday that granting Mr Ocalan asylum would earn Italy the label of "terrorist state", he was also warning Germany, where prosecutors may demand the extradition of Mr Ocalan in connection with two murders, not to think of doing the same.

Mr Ecevit is one of a breed of Turkish nationalists which has never forgiven Europe for trying to carve up the remains of the Ottoman Empire after the first world war. Judging from the European Union's failure to come out in clear support of Mr Ocalan's extradition, such nationalists have concluded that the aim has hardly changed.

A statement put out by France's Foreign Ministry spoke of finding a "political answer" to the Kurdish problem. Joschka Fischer, Germany's foreign minister, said Mr Ocalan's case fell "into the jurisdiction of the Italian authorities". He enraged Turks by describing Mr Ocalan's presence as "a chance for a durable solution of the Kurdish problem". Mr Yilmaz has vowed not to negotiate with "terrorists who have blood on their hands".

Turkey's war against Mr Ocalan's Kurdish nationalist PKK has taken 30,000 lives on both sides and cost Turkey some $7bn a year to wage. Turkey regards even mild forms of minority nationalism as criminal. Kurds constitute an estimated 30 per cent of Turkey's population of 65m.

Europe's reluctance to criticise their EU ally provides a stark contrast to the support the US has extended to Turkey. Although Strobe Talbott, the US assistant secretary of state, recently called for a political solution to Turkey's Kurdish problem, the US evidently feels that this does not involve Mr Ocalan. On Tuesday night the State Department said that Mr Ocalan "should be extradited and brought to justice... he should receive no safe haven".

The strength of Turkish reaction may also be connected with the political instability likely to follow Mr Yilmaz's expected defeat in a parliamentary vote of censure next Wednesday. If Mr Yilmaz is forced to resign, Turkey's party leaders will have 45 days to conjure up a new government from Ankara's fractured parliament. If they cannot, President Suleyman Demirel is empowered to form a cross-party government to take Turkey to elections.

"Would Yilmaz really have been so rude to D'Alema," asked a European diplomat, "if he thought he would be in power?"

Turkish nationalists across the country are in similarly angry mood. On Tuesday Hasan Denizkurdu, the justice minister, called for "sensible and calm behaviour" from the nationalists burning Italian flags and clashing with Kurdish protestors around the country.

Yesterday, however, there was little sign that they had followed his advice. A 24-hour siege of the provincial headquarters of a party associated with the PKK was broken up only when police in Kocaeli removed 60 members of the People's Democracy party, Hadep, besieged by a crowd chanting nationalist slogans.

US, Korean groups to shut Portuguese chip plant

By Peter Wise in Lisbon

Texas Instruments of the US and Samsung Electronics of South Korea are to close a jointly operated semiconductor plant in northern Portugal, one of the country's biggest foreign investments, with the loss of 750 jobs.

Portugal said it would demand full compensation for the breach of a $137m investment contract, which was not due to expire until 2004, and the repayment of state and European Union incentives.

The decision to close the plant, involving one of Portugal's biggest mass dismissals to date, follows a collapse of the international semiconductor market that has sent chip prices plummeting.

Siemens, the German engineering and electronics group, which employs about 5,000 workers in five Portuguese plants, including a $420m semiconductor unit, recently announced plans to sell businesses worth DM17bn ($10.3bn).

However, a Portuguese official said senior management had assured the government that the future of Siemens plants in Portugal would not be threatened by the group's sell-off plans, which include its lossmaking semiconductor division.

Workers at the TI-Samsung plant at Maia near Oporto were told yesterday that the plant would be closed in March. "We were told it was because of the competition and the Asian crisis," one said.

Diogo Tavares, vice-president of ICEP, the state body responsible for foreign investment, said the two companies had made a "unilateral and irreversible" decision to close the plant, which started up in 1994.

He said the companies had stressed the decision was taken for strategic reasons and did not reflect on Portugal's value as a destination for productive investment.

Portugal would seek the restitution of Portuguese state grants and EU grants paid to the project, estimated to total several million dollars, and compensation in full for the loss of jobs, he said. Substantial tax benefits would also have to be repaid.

"Every business investment involves an element of risk and companies are obliged to honour their commitments if they decide to break the terms of a contract " he said.

TI has been producing integrated circuits at Maia since 1973. Samsung Electronics decided to enter into a joint venture with the US company in 1994 and for the first time began to assemble semiconductor integrated circuits outside South Korea.

Japan trade surplus with US up 32%

By Michiyo Nakamoto in Tokyo

Japan's politically sensitive trade surplus with the US rose 32 per cent in October, compared with a year ago, to Y719bn ($5.9bn) mainly as a result of a fall in imports caused by sluggish domestic economic activity.

The higher trade surplus, which was announced as President Bill Clinton arrived in Tokyo yesterday, is likely to increase calls for the Japanese government to implement stronger measures to stoke domestic demand and ease trade restrictions.

Addressing the audience at a town hall meeting in Tokyo, Mr Clinton urged Japan to take steps to open its markets more to foreign products. He also expressed concern about Japanese steel exports to the US, which have increased 500 per cent in the past year.

"No one quite believes that this is just because of the economic problems," Mr Clinton declared.

The US International Trade Commission has made a preliminary ruling that Japanese steel products were being dumped in the US market. The ruling comes after protests from US steelmakers. Car exports to the US have also increased significantly.

Japanese officials were at pains to defuse tensions over the surplus.

"The sole reason for the rise in the trade surplus is the fall in imports from the US," said an official in the trade ministry. Imports from the US fell 9 per cent while exports rose 8 per cent in October, on an unadjusted basis, compared with a year ago.

"The US economy is much stronger than Japan's, so it is natural for the trade surplus to increase," the official added.

"The weakness of economic activity in Japan was highlighted by a near-50 per cent fall year-on-year in machinery orders in October.

The official said that the situation was completely different from that in the 1980s when a surge of Japanese exports to the US was behind an increase in the surplus.

By contrast, China's trade surplus with the US was largely due to a rise in exports.

Nonetheless, the rising trend in Japan's trade surplus with the US is expected to lead to a record for the year, exceeding last year's $56.1bn.

Meanwhile, the slowdown in Japanese imports from the US, combined with the growth in US exports to Mexico, meant Japan had been replaced by Mexico as the US's largest trading partner after Canada.

Japan's overall trade surplus in October was up 23 per cent year-on-year to Y1,370bn.

Japanese student protesters in Tokyo yesterday hold up effigies of Bill Clinton and Keizo Obuchi in an expression of opposition to the US president's visit to Japan Reuters

JAPAN ECONOMY BANKS LOOK POISED TO APPLY FOR PUBLIC FUNDS TO REINFORCE THEIR CAPITAL BASES

Obuchi nearer to expanding tax cuts

By Michiyo Nakamoto in Tokyo

The Japanese government yesterday moved closer to expanding tax cuts to stimulate the ailing economy, after agreeing with the opposition Liberal party to form a coalition by early January.

Keizo Obuchi, the prime minister, and Ichiro Ozawa, Liberal party leader, also agreed to increase the scale of overall tax cuts from Y6,000bn ($49bn), as indicated in the latest economic stimulus package, to Y10,000bn ($82bn), the two parties said.

The tax cut increase would come from a "radical revision" of the national consumption tax and reduction in the corporate tax from 46 to 40 per cent.

It would include larger income tax cuts and cuts in areas such as housing investment taxes. The stimulus plan calls for a total Y4,000bn reduction in income tax cuts. No details were given on timing or extent of these latter cuts.

Nor was it clear the "radical revision" would lead to a temporary lifting of the 5 per cent consumption tax, as the Liberal party has demanded. Resistance is strong in the ruling Liberal Democratic party to freezing the tax, which cost the LDP its majority in the upper house.

The two parties did agree on using proceeds from the consumption tax for welfare spending, cutting the number of government employees by 25 per cent over 10 years, reducing the number of seats in each of the two houses of parliament and consolidating the current 20 ministries into 12. Cabinet posts would be cut to 17 from 20.

Following yesterday's agreement, the LDP is likely to succeed in passing pending legislation through the regular Diet session starting in January. The ruling party does not have a majority in the upper house, which can block legislation apart from the budget.

A coalition with the Liberal party, mostly made up of former LDP deputies, would not give the LDP a majority in the upper house, but strengthens its hand in negotiations with another opposition party, the Komeito.

The LDP is keen to pass legislation on implementing new US-Japan security guidelines, which are opposed by most of the opposition, except for the Liberal party.

● Gillian Tett adds: Japanese banks look poised to apply for up to Y10,000bn in public funds to reinforce their capital bases, banking officials indicate. This follows the government's decision to use up to Y60,000bn of public funds to support the ailing financial sector.

The move may boost hopes the government is finally implementing some banking reforms. But the level of applications is set to be sharply lower than the Y25,000bn earmarked for such capital injections.

The reluctance to accept money largely stems from the banks' concerns that accepting public fund injections could leave them vulnerable to political interference. Many banks fear the government will use the aid to demand faster reform.

China warned on epidemic of smoker deaths

By James Harding in Shanghai

One in three young men in China will eventually die from tobacco-related illnesses if current smoking patterns continue in the world's largest cigarette market, according to the most extensive investigation to date into smoking in the country.

A report to be published today in the British Medical Journal concludes: "China is undergoing a catastrophic epidemic of smoking deaths."

The results, compiled by medical experts from China, Britain and the US, are likely to increase pressure on Beijing to raise public awareness of the health threats of smoking. In the long term they could force the authorities to challenge the domestic tobacco companies that dominate the market as well as the international groups selling increasing numbers of cigarettes in China.

More than 300m Chinese people smoke in excess of 1,800bn cigarettes a year, roughly a third of the world total. And their numbers are rising. Average daily consumption of cigarettes by men has risen from one in 1952 to 10 in 1992, while two thirds of men become smokers before the age of 25, with few ever giving up.

With the growth in the number of smokers and the frequency of smoking, annual tobacco-related deaths are expected to triple over the next 50 years, from nearly 1m people in 2000 to 3m in 2050, according to the study.

The team of researchers, who interviewed 1m families of people who had died and 250,000 others, show that of more than 300m males now aged 29 or less, at least 100m will eventually be killed by tobacco. Half the deaths will be between the ages of 35 and 69.

Chinese women smoke a tiny fraction of the number of cigarettes consumed by men and the number of Chinese female smokers has fallen sharply. "Before 1950, about 10 per cent of young Chinese women became smokers, but for unknown reasons only 1 per cent do now," the researchers noted.

The Chinese government has taken an ambivalent attitude to smoking, promoting public awareness of health risks while supporting development of big state-owned cigarette factories.

Hou Peisen, an official at the health education department at the Ministry of Health, said yesterday: "China will further

'I personally think the industry will continue to develop'

strengthen its anti-smoking campaign and we are focusing the campaign on youngsters... I personally think that the tobacco industry, as an important taxpayer, will continue to have some development."

Tax income from the industry grew to RMB55bn ($6.6bn) in 1994, from RMB24bn in 1989.

Many of China's tobacco companies have begun to produce low-nicotine cigarettes, but the anti-smoking trend in the western world has yet to make a dent on Chinese consumption.

An official at the Kunming Cigarette Factory, a large state-owned company, said yesterday: "There is a no-smoking trend that comes with the development of environmental protection, the rise in people's levels of education and the anti-smoking campaign. But, at present, it has not had a big impact on our factory. Most people who have given up smoking are in urban, not rural, areas. There is still a lot of room for growth in the market."

Indonesia rupiah shrugs off unrest

By Sander Thoenes in Jakarta

The Indonesian rupiah defied political unrest yesterday and continued to rise, amid encouraging economic data and World Bank studies indicating the economic crisis's social impact was less dramatic than had been forecast.

The rupiah continued its rebound despite continued student protests, trading around 7,625 to the US dollar late yesterday, from a low of Rp17,000 in June and a high of Rp2,400 in early 1997.

The World Bank yesterday said that, if the differential in inflation rates was taken into account, the rupiah had depreciated only 40 per cent in real terms since the crisis started and made "a dramatic catch-up with other regional currencies" in recent weeks.

Currency traders were indifferent to a further drop in interest rates. The rate for central bank paper due in one-month dropped from 51.16 to 49.66 per cent, from a high of 67.7 per cent in June. Bank analysts have noted a cautious recovery of deposits, even after rates started coming down in September.

A senior tax official said income tax revenues were already 15 per cent above the target for the fiscal year, which ends March 31, defying predictions that debt-ridden enterprises would stop paying.

Ginandjar Kartasasmita, co-ordinating minister for economy, finance and industry, said manufactured exports rose 14 per cent in the first seven months of 1998, with textile and furniture leading the way and making up for much of the impact of a drop in world prices for the country's export commodities such as oil and gas. "Indonesia is indeed on the road to recovery," he said.

The World Bank, meanwhile, challenged accepted wisdoms about the social impact of Indonesia's economic crisis, pointing at initial results from its research to say employment was stable and a decline in purchasing power was limited mainly to the urban poor and middle class on the main island of Java.

Dennis de Tray, the Bank's director for Indonesia, said an influx of women and young into the informal labour sector had made up for widespread job losses at troubled industries, as urban families struggled to supplement their income. While urban families reported a decline in real expenditure of 30 per cent, rural families had spent more in the past year as rising prices for farm products, some exported, made up for rising costs.

Mr de Tray said government grants had helped prevent an exodus of children from primary schools but not from secondary schools, where costs are higher and students have the option to earn income for the family.

The data, contradicting more dramatic studies by the United Nations, help explain resilience of sales for basic consumer items such as foods and cigarettes, as opposed to middle and upper class items such as cars, down 90 per cent. But Mr de Tray cautioned the disproportionate blow to the middle class "is going to be a tough political issue" in approaching elections.

"The economy of Indonesia is beginning to mend but it won't hold if the politics won't hold," he said.

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Indian banks improve lending performance

By Krishna Guha in Bombay

The health of India's banks improved last year despite a rise in the absolute level of bad debts, a new report by the country's central bank claims.

The level of non-performing assets – both gross and net – of public-sector banks in relation to advances had been on the decline, the Reserve Bank said. Non-performing assets accounted for 16 per cent of banks' advances at the year-end, down from 25 per cent four years ago.

But the burden of bad debts remained a big hurdle, acted as a deadweight on profitability and had been an impediment to lower lending rates.

Banks' non-performing assets increased from Rs437bn ($10.3bn) to Rs457bn last year, it said. After provisions, the figure was up from Rs203bn to Rs212bn. However, the rise in bad debts was smaller than the increase in total lending. As a result, problem loans formed a smaller proportion of advances.

About half of all the banks' bad debts came from mandatory loans to the priority sector, including small-scale business and agriculture.

The Reserve Bank also reported that competition was putting pressure on banks' margins. The average net interest margin fell from 3.22 percentage points to 2.95 percentage points last year.

It supported setting up asset reconstruction companies to take on banks' bad debts but warned against wasting the Rs4bn set aside for that purpose in the budget.

Non-performing assets improved to 16 per cent of advances, from 25 per cent four years ago

"It is important these funds be used only for the capital of the asset reconstruction companies and not to bail out weak banks – directly or indirectly."

Separate figures for India's development financial institutions, which provide long-term loans, showed a bigger rise in bad debts. Their combined non-performing assets jumped 25 per cent to Rs120bn last year. As this increase was similar to the rise in total lending, no improvement occurred in asset quality.

In an effort to reassure nervous investors, the Reserve Bank published a detailed break-down of the entire financial sector's bad debts for the first time, indicating whether loans were substandard, doubtful or lost. One of the most important reasons for the recent turmoil in south-east Asia was the absence of proper disclosure in the balance sheets of financial intermediaries, it said.

Analysts welcomed the commitment to greater disclosure, but said the official figures underestimated the scale of the bad debt problem, which might worsen this year if India's economic slowdown continued. Lenders are only required to classify debts as sub-standard if the borrower is in default for two quarters, rather than the international norm of one quarter.

Loans guaranteed by the central government are not deemed in default even if not serviced. It is not uncommon for lenders to extend fresh credit to prevent an existing loan from going bad.

AUSTRALIAN POLITICS CONTROVERSY OVER PARTY'S SOLE PARLIAMENTARIAN

One Nation in citizenship row

By Gwen Robinson in Sydney

The citizenship issue in Australian politics yesterday rebounded on One Nation, the nationalist, protectionist and anti-immigration party, in what commentators described as "one of the most ironic twists" of recent political history.

Political opponents of the party yesterday said Heather Hill, the only One Nation member to win a parliamentary seat in national elections last month, held British citizenship at the time of the national poll and was therefore ineligible to hold a parliamentary seat.

The constitution forbids subjects or citizens of a foreign country holding political office. It also states that persons running for public office must take "all reasonable steps" to renounce their original nationality.

The charge was raised by Bill O'Chee, a National party senator who lost his seat to Ms Hill.

Mr O'Chee, Australia's first National parliamentarian of Asian descent, who frequently stresses his "Australian-ness", is a staunch monarchist who campaigned against Australia's republican drive. Ms Hill, he said yesterday, was "not 100 per cent dinky-di Aussie" (authentically Australian).

One Nation spent its time querying the commitment that other people had to Australia, he said. "Yet, when the boot is on the other foot, they are always found wanting."

Ms Hill took out Australian citizenship a month before contesting the Queensland state elections in June, but still possessed her British passport when she won her Senate seat in October. She said yesterday that she had taken "reasonable steps", as stipulated in the constitution, to give up her British passport. "I believe I have done that," she said. But her refusal to say whether she had renounced her British citizenship was fuelling calls for her removal.

The row is the latest blow to One Nation, which predicted before the national election that it would capture the parliamentary balance of power. Instead, the party's president, Pauline Hanson, lost her seat in the lower house, leaving Ms Hill the party's sole parliamentarian.

If she is forced to give up her seat, One Nation would be further marginalised. However, the party gained more than A$3m (US$1.9m) from the national election under a public subsidy system for political parties. The money would be used to finance One Nation's campaign for the New South Wales state elections in March, said Ms Hanson.

"We're here for a while," she said yesterday. "We are not going anywhere."

WORLD TRADE

Brussels rejects US banana peace offer

By Stephen Fidler in Washington, Neil Buckley in Brussels and Guy de Jonquières in London

The European Union yesterday rejected a US proposal to seek a rapid settlement of their dispute over the EU banana regime in the World Trade Organisation.

The regime guarantees producers in former British and French colonies in Africa, the Caribbean and the Pacific preferential access to the EU market, at the expense of cheaper fruit grown in Latin America.

A WTO disputes panel last year upheld a US complaint that the regime violated world trade rules. Although the US exports no bananas, it says the regime discriminates against Chiquita Brands and other US distributors of Latin American bananas.

Washington says the EU's modifications to its regime do not comply with the WTO ruling and is threatening to impose 100 per cent tariffs on a range of European exports from January 1.

A spokesman for Sir Leon Brittan, EU trade commissioner, said Brussels had rejected the US offer for a fresh WTO ruling because Washington had not lifted its threat to impose unilateral sanctions.

"The US is twisting the WTO procedures to fit its own arbitrary and illegal unilateral sanctions timetable. That is unacceptable. [The US] is trying to use the threat of unilateral sanctions to exert pressure on the procedures," Sir Leon's spokesman said.

Peter Scher, US special trade negotiator, denied the EU accusations. "If they are rejecting this proposal, it seems to me to question whether they believe that their proposed regime is in line with WTO rules."

Mr Scher said the US would go ahead with plans to announce on December 15 a final list of EU exports liable to sanctions. But he denied that the US was seeking to coerce the EU, saying no sanctions would be imposed while WTO disputes panels were still dealing with the banana issue.

Charlene Barshefsky, US trade representative, called on Brussels yesterday to agree to reconvene a WTO panel, to rule by January 15 on whether proposed modifications to the banana regime comply with last year's WTO decision.

If a new ruling proved unacceptable to either side, the WTO's appellate tribunal could be asked to issue a final decision under a special accelerated procedure.

If the WTO disputes panel upheld its earlier ruling, and the EU still refused to conform with it, the US would ask the WTO for authorisation to retaliate against European exports.

The EU Commission insisted yesterday that it was committed to WTO rules, saying the US had rejected its proposal on September for an accelerated disputes panel review of changes to the banana regime. But Mr Scher said EU compliance with WTO rules was critical to the credibility of the multilateral trade system.

Russians sign Vietnam oil refinery deal

By Jonathan Birchall in Hanoi

Vietnam's state-owned oil company, Petrovietnam, and Russia's state-run Zarubezhneft have signed an $800m agreement to establish Vietnam's first big oil refinery at Dung Quat in the central province of Quang Ngai, a project surrounded by controversy for more than three years.

At a signing ceremony in Hanoi last night, Ngo Xuan Loc, Vietnam's deputy prime minister, described the deal on the 130,000 b/d project as "an historic milestone" in the relationship between Vietnam and Russia.

However, Russian involvement follows the withdrawal of two groups of potential foreign investors – including France's Total and a consortium led by Malaysia's Petronas.

The Dung Quat project is Vietnam's largest single industrial development and is politically important to the government: last year, the National Assembly endorsed it as being of strategic national importance.

Although an oil producer, Vietnam depends on regional refineries to process products for domestic use. Government officials emphasise its importance for long-term plans to promote industrial development in the impoverished central region, although foreign aid donors question the wisdom of diverting badly needed foreign exchange into the scheme.

Earlier attempts to secure foreign involvement foundered over Vietnam's decision to build the refinery in an area devoid of infrastructure, almost 1,000km from the main markets of southern Vietnam. Last year, Ho Si Thoang, chairman of Petrovietnam, estimated the refinery's location would add about $28.7m a year to transport costs.

Under the joint venture arrangement, both Petrovietnam and Zarubezhneft will contribute $400m in equity, with an additional $500m-$600m being sought in bank loans and export credits. According to Petrovietnam's Mr Thoang, the Vietnam's $400m of equity will be funded by oil export revenue.

Zarubezhneft will use revenues from its existing involvement in the Vietsovpetro joint venture, which operates Vietnam's 200,000b/d Bach Ho and Rong offshore fields.

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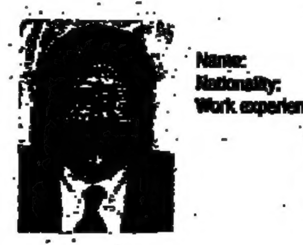
RACE TO LEAD WTO THAI CANDIDATE'S EMBRACE FOR RUSSIA, CHINA AND DEVELOPING WORLD

Banker who wants to make the next big trade round truly global

By Ted Bardacke in Bangkok



Name: Supachai Panitchpakdi
Nationality: Thai
Work experience:
Thailand's deputy prime minister
President of Thai Military Bank
Deputy finance minister
Central banker

Long before it became fashionable, Thailand's deputy prime minister, Supachai Panitchpakdi, was calling on the world's leading nations to re-examine the global financial system. That may seem a strange rallying cry for someone who wants to lead the World Trade Organisation, but to Mr Supachai, a former central banker, it makes perfect sense.

Prospects for trade liberalisation would, he believes, be damaged if, as a result of financial turmoil, developing nations turn their back on globalisation. And those countries most damaged by lack of preparedness for open capital accounts are those with mixed feelings about free trade.

"People have been taking globalisation for granted for too long," Mr Supachai says. To make use of trade liberalisation, countries "need to be well prepared, have people who look into competitiveness policy, have industries that understand the need for competition, and have effective trade lobbies".

Hence one of Mr Supachai's main projects as head of the WTO would be to get the organisation to help developing countries design the world trading system.

"The WTO should try to be an adviser. We need to be able to assist some of the members of the WTO to enhance their opportunities in multilateral trade negotiations. Otherwise they would opt out or always remain at the receiving end of all this negotiation."

This belief in inclusion has meant Mr Supachai would be eager to tackle one of the WTO's biggest items: membership for China, Russia and other "countries in transition". Mr Supachai wants Russia and China in the WTO before the next round of multilateral trade negotiations. "I personally would pay a lot of attention to that," he says. "Their participation helps them take trade liberalisation and market mechanisms up as one of their guiding principles... and would make the next WTO agreement truly global."

Mr Supachai, 53, is a relative newcomer to trade issues, taking over Thailand's trade and economic policy in 1992 after stints as president of Thai Military Bank, deputy finance minister and central banker, and as a doctoral student in the Netherlands under Jan Tinbergen – the first Nobel laureate in economics – and fellow at Cambridge.

But the former chess master has been a fast learner on matters of trade. He rescued Thailand from potentially disastrous sanctions threatened by the US over intellectual property rights, steered ratification of the Uruguay Round trade deal through the fickle Thai parliament and oversaw the boom of the country's eastern seaboard, the favoured destination for foreign manufacturing investment. On the international front, Mr Supachai helped form Afta, the Association of South East Asian Nations Free Trade Area, and was a key proponent of trade liberalisation in the Asia Pacific Economic Co-operation forum.

Both groupings have been criticised by free trade hardliners for relying on voluntary or non-binding tariff reductions. Mr Supachai replies: "The only way to bind us together was to be non-binding."

Mr Supachai has a similar pragmatic response to fears that, as a candidate backed by Japan and other Asian nations, he would not vigorously pursue a free trade agenda. Rather, he says, someone who can preach the free trade gospel effectively to countries that might have reservations because of global economic turmoil is more crucial now than "just using leverage or banging the table" in negotiations.

He cites his success last month in keeping Afta from retreating on tariff reduction measures as proof that he can convince sometimes reluctant countries to liberalise trade liberalisation.

This is at least partly why Mr Supachai has decided to pursue the WTO position in the prime of his career. He wants to ensure Thailand, a trading nation throughout its modern history, remains open. And he believes the best way to do that is to keep the entire system free – but also fair.

Second in a series of profiles on candidates to succeed Renato Ruggiero as WTO head.

NEWS DIGEST

MOBILE TELEPHONES

South Africa to award new licences next year

South Africa will award two new licences for mobile telephone networks by next July, bringing the number of cellular operators to four, Jay Naidoo, the minister for posts, telecommunications and broadcasting, said yesterday.

He said Vodacom and MTN, the two existing operators, had signed up more than 2m subscribers since 1994 and were making about R4bn ($700m) a year in revenue in a fast growing market. Vodacom is 50 per cent owned by Telkom of South Africa, with Vodafone of the UK holding a 31.5 per cent stake; MTN is controlled by South African black empowerment groups, including Johnnic.

Mr Naidoo announced various conditions that will apply to the winners of the licences, including a one-off R100m licence fee, a levy on turnover, and a requirement that a black empowerment group must maintain a shareholding in the company making the bid. After the government has issued a formal "invitation to apply," telecoms companies will have three months to submit their bids for the 15-year licences. **Victor Mallet, Johannesburg**

UK-SHANGHAI AIR ROUTE

Branson battles BA

Richard Branson, head of Virgin Atlantic, visited Shanghai yesterday to put his case for his airline to open the new air route between London and China's largest and most cosmopolitan city. The competition between Mr Branson's airline and his favourite adversary, British Airways, to operate the first direct flights between London and Shanghai is due to be decided following a hearing before the UK Civil Aviation Authority next month.

British Airways, which already flies between London and Beijing, has lobbied vigorously to run the route to Shanghai, which is still an infant market for international air traffic but promises huge numbers of future passengers.

The bid to start the Shanghai service, which if awarded to Virgin Atlantic would be the first time the company would open a new route, is part of broader ambitions for the Virgin group of companies in China, Mr Branson said. The group is also looking to launch Virgin Cola in Shanghai next year and is considering the prospects for opening cinemas and megastores. Chinese officials have indicated that China Eastern, the regional airline based in Shanghai, is likely to be designated as the Chinese carrier to London. **James Harding, Shanghai**

CUBAN OIL SEARCH

Petrobras joins the hunt

Brazil's Petrobras has become the latest foreign oil company to join the hunt for oil in Cuba, signing an exploration and production contract for a concession on the Caribbean island's north coast. The contract between Petrobras and the Cuban state oil company Cubapetróleo (Cupet) foresees a first phase of seismic testing lasting nine months, followed by a projected 18-month exploration drilling phase. The estimated investment cost is $23m.

More than a dozen small oil companies from Canada, Britain, France, Sweden and Spain are helping the Cubans explore for oil. **Pascal Fletcher, Havana**

CLINTON IMPEACHMENT HEARINGS PROSECUTOR BITTERLY ATTACKED BEFORE HOUSE JUDICIARY COMMITTEE

Starr under fire from Democrats

By Mark Suzman in Washington

The impeachment hearings against President Bill Clinton degenerated into a bitter partisan battle yesterday as Kenneth Starr, the independent counsel, tried to revive the Monica Lewinsky scandal in testimony to the House of Representatives judiciary committee.

In his first public defence of his report charging Mr Clinton with impeachable offences, Mr Starr stood by his conclusion that the president had repeatedly violated his public duties in trying to cover up his affair with Ms Lewinsky. "The propriety of a relationship is not the concern of our office," he said. "The referral is instead about obstruction of justice, lying under oath, tampering with witnesses and misuse of power. The referral cannot be understood without appreciating that vital distinction."

But Democrats rejected the charges as they made a series of direct attacks on Mr Starr's character, portraying him as a "federally paid sex policeman" whose pursuit of Mr Clinton had "crossed the line into obsession."

The wrangling demonstrated how sharp the divisions between the sides have become in the wake of Democratic election successes earlier this month. The White House is now confident there is not enough support in Congress to impeach Mr Clinton, but many rightwing Republicans are determined to push the process forward regardless.

John Conyers, ranking Democrat on the judiciary committee, described the hearing as "an unprecedented desperation effort to breathe new life into a dying inquiry" and said Mr Starr's "tawdry, salacious" tactics had damaged his credibility. "This causes us to question Mr Starr's motion and to lack confidence in his referral," he said.

However, Mr Starr strongly defended his inclusion of details of Mr Clinton's sexual relationship in the report, emphasising that it was Congress and not his office that had released the information to the public: "The facts, the story are critical – they affect credibility, they are necessary to avoid a distorted picture, they ultimately are the basis for a just conclusion."

Fending off several interruptions by Democrats, Mr Starr also stressed that he believed perjury did qualify as an impeachable offence under the constitution. "On at least six different occasions... [the president] could choose truth or he could choose deception," he said. "On all six occasions the president chose deception."

Henry Hyde, committee chair, expressed irritation with Democratic tactics. However, despite having announced that he would be calling new witnesses to the inquiry, he re-stated his commitment to try to complete proceedings this year.

Starr prepares to give his testimony yesterday

Ghosts of Lincoln and Nixon

By Mark Suzman

If Kenneth Starr harboured any lingering hopes that Congress might approach his testimony in a calm and sober manner they were shattered even before he had a chance to open his mouth.

No sooner had Henry Hyde, the Republican chair of the judiciary committee, opened proceedings than Democrats sought to use a series of procedural manoeuvres to try to portray the Republicans as biased.

William Delahunt of Massachusetts began by arguing that the decision to allow Mr Clinton's lawyers only half an hour to question Mr Starr gave the president fewer rights than Richard Nixon had during the Watergate hearings. And when Mr Hyde accused him of trying to disrupt the hearing, Melvin Watt of North Carolina, an outspoken supporter of Mr Clinton, retorted: "We're disrupting a railroad."

Even after a clearly disgruntled Mr Hyde managed to call the meeting back to order, John Conyers of Michigan, the ranking Democrat, immediately launched a searing attack on Mr Starr's character and credibility, dismissing his tactics as questionable, his investigation as flawed and his report as frivolous.

But despite a couple of nervous gulps before he started speaking, the independent counsel appeared unfazed. Instead, speaking in a slow, soft voice, he mounted a fierce two-hour defence of his inquiry.

Although most of his address was devoted to details of the Lewinsky scandal, he also addressed other inquiries undertaken by his office, including the Whitewater land deal he was first appointed to investigate.

Mr Starr broadly exonerated Mr Clinton in some of those cases, ranging from the White House use of FBI files to investigate some Republican officials to the sacking of the White House travel office.

However, he made it clear that even if he had not been able to amass sufficient credible evidence to file charges on the Whitewater issue, he believed Mr Clinton had been involved in a cover-up that fitted a broader White House pattern of obstructing other investigations.

Mr Starr sought at times to be self-deprecating, making light of his personal unpopularity. He portrayed himself as a simple servant of the law trying to do an unpleasant job to the best of his ability.

But he could not contain his bitterness at the White House or disguise his deep conviction that he was on the side of right.

He argued that a better Nixon analogy than Mr Delahunt's was the similarity between the former president's misuse of executive privilege and Mr Clinton's. And he cited one of the most revered US leaders of all in his support. "President Lincoln asked that 'the reverence for the laws be proclaimed in legislative halls and enforced in courts of justice'," he said. "I revere the law. I am proud of what we have accomplished."

But although it remains to be seen if any of the public share that pride, it was clear that many of his listeners did not. As soon as Mr Starr stopped speaking, Democrats began preparing a new series of attacks on the embattled prosecutor.

Microsoft 'had monopoly since the early 1990s'

By Richard Wolffe in Washington

The first economics expert to testify in the Microsoft antitrust trial yesterday insisted that the world's largest software company had maintained its monopoly power since the early 1990s despite rapid technological change in the computer industry.

Frederick Warren-Boulton, a former chief economist at the US Justice Department in the Reagan administration, said Microsoft had sustained a market share in operating software of more than 90 per cent since 1991.

In its cross-examination, Microsoft argued such measures of market share were irrelevant in an industry which was forced to adapt to the rapid evolution of software products. Microsoft denies it commands monopoly power because technological changes create new competitive pressures.

Michael Lacovara, Microsoft's attorney, further suggested that Microsoft was competing not just against other companies but against its own previous software. The company had to convince customers to buy new versions of its best-selling Windows operating system.

But Mr Warren-Boulton said Microsoft – and the software industry – was not an exceptional case in terms of competitive pressures or technological change.

"It is a characteristic that new models are introduced. But that is true of the automobile industry," he said. "If you sell a car to someone who does not have one, that person is more willing to pay more than someone who has a car. Similarly, Microsoft realises some customers have a personal computer and want to upgrade [Windows], while some are buying a new operating system on a new personal computer."

Mr Warren-Boulton said Microsoft's monopoly power was protected by the "network effects" of popular applications designed to run only on Windows. Such applications – including word processors and financial spreadsheets – prevented new competitors from launching a successful new operating system.

Brazil tax vote boost for austerity

By Geoff Dyer in São Paulo

The Brazilian government's fiscal austerity plan has won two important victories in Congress, including the approval of a controversial tax increase for companies.

A joint session of the lower house and Senate voted late on Wednesday in favour of an increase in Cofins, a contribution by companies to the social security system, despite strong opposition from the business community.

The votes showed the government is continuing to maintain political support for its austerity programme in the face of a looming recession and a scandal over privatisation.

In an attempt to restore confidence in its economy and to prevent a currency crisis, the government has pledged to save R$28bn (US$24bn) from next year's budget through tax increases and spending cuts.

The fiscal programme is the basis of the agreement Brazil signed last week with the International Monetary Fund, under which it will receive a $41.5bn package of financial assistance.

Congress voted to increase the Cofins tax from 2 to 3 per cent of company revenues and to extend the tax to the financial sector, which had been exempt. The government hopes the measure will raise R$3.3bn next year.

Legislators also voted in favour of a measure which limits spending by state governments on pensions and requires public sector pensioners to contribute to the social security system.

The measure is the first of several proposals put forward by the government to cut spending on pensions, which together are expected to generate savings of R$4.3bn next year. "The result shows that the rumours and allegations have so far not paralysed the government," said Carlos Lopes, a political analyst.

Opposition deputies have been pushing for Congress to launch an official investigation into the July privatisation of Telebrás, the telecoms group, following the weekend publication of taped conversations about the sale between Luiz Carlos Mendonça de Barros, communications minister, and André Lara Resende, president of the National Development Bank, which co-ordinated the privatisation.

The opposition claims that in the auction for Tele Norte Leste, one of the Telebrás subsidiaries, the government tried to favour a consortium which included Opportunity, an investment fund run by Persio Arida, a former central bank president.

Appearing before the Senate yesterday to explain his taped comments, Mr Mendonça de Barros said the government had been trying to stimulate as much competition as possible. The fact that the Opportunity consortium did not buy Tele Norte Leste showed that it had not received favourable treatment, he said.

As well as raising questions about legal procedures in the Telebrás sale, an official investigation would absorb considerable time in Congress and endanger approval of the government's fiscal plans. However, analysts believe an inquiry is unlikely.

Brazilian financial markets have so far paid little attention to the allegations. Shares on the São Paulo stock exchange have risen 14 per cent so far this week on the back of the IMF deal, although they were 0.4 per cent lower early yesterday afternoon.

NEWS DIGEST

US HOUSING STARTS

Cheap mortgages, Wall St revival boost building

Construction starts on new homes and apartments jumped at the fastest rate in more than a year in October, the government said yesterday, as cheap mortgage rates and a revival in the stock market fuelled building.

Total starts increased an unexpectedly strong 7.3 per cent to a seasonally adjusted annual 1.695m units – the biggest monthly pickup in more than a year – after back-to-back revised declines of 2.6 per cent in September and 4.9 per cent in August, the Commerce Department said.

Permit applications soared 9.9 per cent to a 1.697m-unit rate in a sign that builders intend to maintain a brisk construction pace. It was the strongest rate of permit applications since January 1990, when they increased 22.9 per cent to 1.748m a year.

Regionally, the biggest advance in starts came in the north-east where they rose 16.5 per cent to an annual rate of 162,000. In the south, starts increased 14.5 per cent to 820,000 a year and in the Midwest they were up 10.7 per cent to 352,000. **Reuters, Washington**

TOBACCO SETTLEMENT

Deal agreed by 22 states

With one day remaining before today's noon deadline, 22 states had agreed to sign up to the proposed settlement of their lawsuits against US tobacco companies by lunchtime in New York yesterday, indicating a strong likelihood that the $206bn deal would receive enough votes to take effect.

Those accepting the settlement included some of the most highly populated states such as California, New York, New Jersey, Pennsylvania and Ohio. In a significant move, Wisconsin, which had previously appeared hostile to the settlement, had also agreed to sign up.

Martin Feldman, an analyst at Salomon Smith Barney, said the states so far accepting represented 69.5 per cent of the money $206bn to be paid out over the next 25 years. A threshold of 80 per cent needs to be achieved before the agreement can come into affect.

Four states – Mississippi, Florida, Texas and Minnesota – have separately reached out-of-court settlements under which they are to receive more than $40bn from the tobacco industry over the next 25 years. That leaves 46 states considering whether to sign up to the $206bn deal.

The most likely hold-outs are thought to be Maryland and Massachusetts, which have passed special legislation to make it more likely that their anti-tobacco lawsuits will succeed. **Richard Tomkins, New York**

CANADA GROWTH

Inflation higher than expected

The Canadian dollar was stronger at midday yesterday after October consumer price rises and September wholesale sales proved unexpectedly high, suggesting economic growth was not slowing as quickly as expected. The dollar was trading at 64.6 US cents, up from Wednesday's close of 64.4 US cents. October consumer prices rose 0.4 per cent from the previous month and were up 1 per cent year-on-year, according to Statistics Canada, the federal agency. Economists had forecast a 0.1 per cent monthly gain and a 0.8 per cent annual increase. The government said higher prices for petrol, electricity and fresh vegetables contributed to the monthly CPI increase. Petrol prices, however, remain 9 per cent lower than in October 1997.

Economists said that despite the October price increases, Canadian inflation pressures remained minimal. The Bank of Canada has set an inflation target range of 1-3 per cent.

Annual price rises since the beginning of 1998 have fluctuated between 0.7 and 1.1 per cent, compared with 1.6 per cent in 1996 and 1997. **Scott Morrison, Toronto**

On the web today

- Anger at Mexican telephone tax plan
- Monet boating idyll fetches $9m at Christie's
- Debt relief in the air after Hurricane Mitch

http://www.ft.com/americas

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Speed m ts Spe

Can you imagine two extraordinarily responsive companies moving even faster as one? We can. Because the quick minds that created programs such as the Eurofighter Typhoon now work hand in hand with the driven folks who brought the acclaimed new Dodge Durango sport utility vehicle from the drawing board to production in just 23 blazing months. Where do these 428,000 swift souls come

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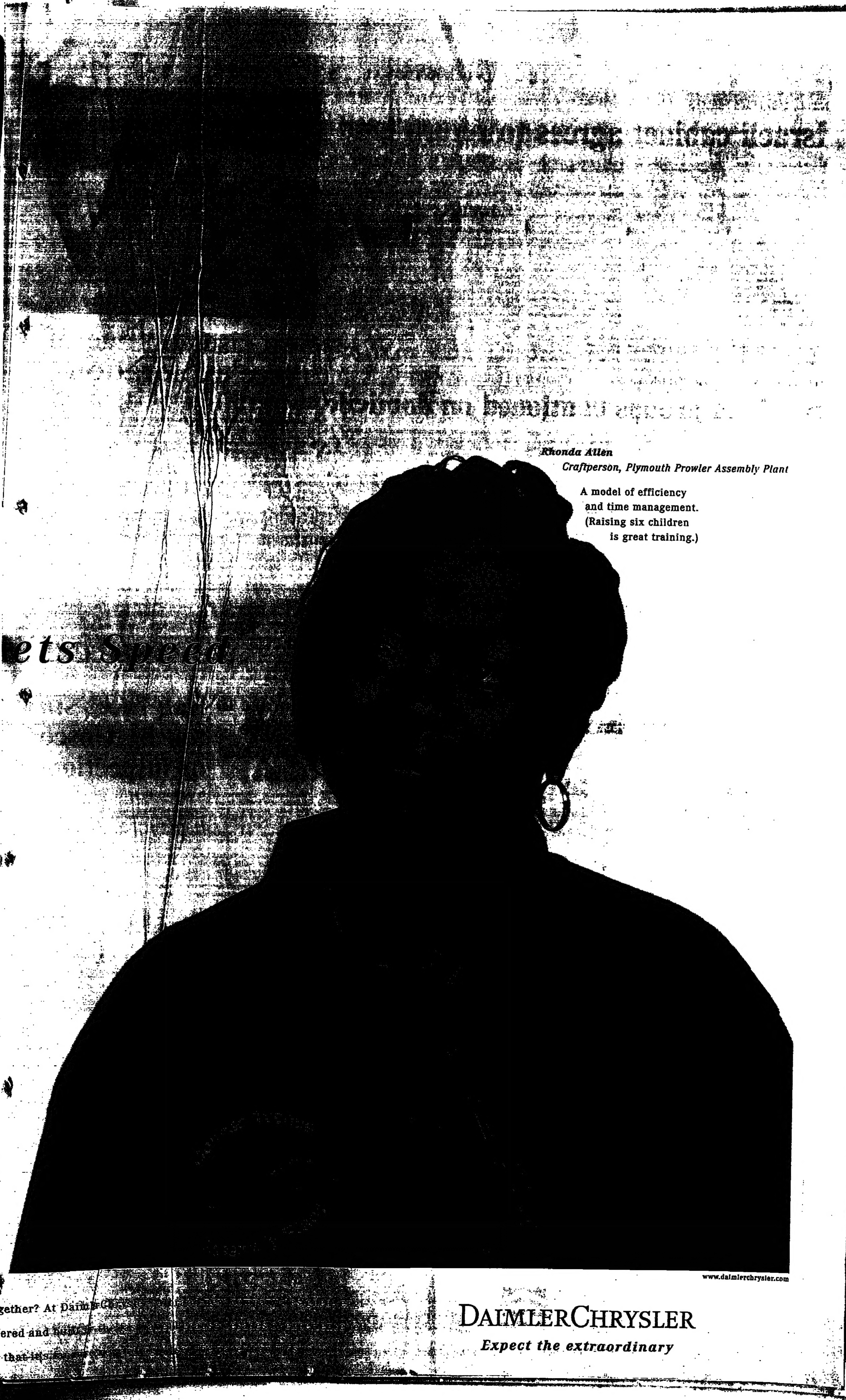

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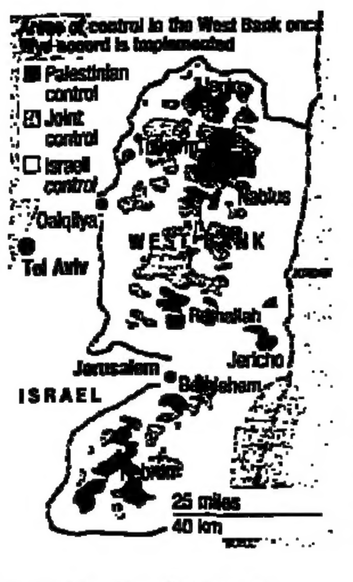
MIDDLE EAST PEACE PROCESS LIKUD-LED GOVERNMENT TO BEGIN IMPLEMENTING WYE ACCORD

Israeli cabinet agrees to return land

By Judy Dempsey in Jerusalem

Israel's cabinet yesterday gave the go-ahead for a phased handover of West Bank land to the Palestinians, paving the way for the implementation of last month's Wye peace accord.

The vote, narrowly won by Benjamin Netanyahu, Israeli prime minister, is the first time a Likud-led government has agreed to hand over land to the Palestinians. Of the 17-member cabinet, seven ministers voted for implementation, five against and three abstained. Two ministers were abroad.



The vote also signals a shift away from the ideology of a party whose own anthem still espouses the permanent hold over all of Eretz Israel, the biblical homeland of the Jews which includes the West Bank.

Last night, Israeli troops were making final preparations to hand over 110 square kilometres, or 2 per cent of land under exclusive Israeli control to joint control with the Palestinians.

A further 7.1 per cent of land already under joint control will be passed over completely to the Palestinians.

Much of the land is concentrated around the northern West Bank town of Jenin, where two nearby Jewish settlements yesterday had their security beefed up with electronic fencing and extra guards. In Jenin, thousands of residents took to the streets to celebrate the delayed pullback which under the 1995 Israeli-Palestinian Interim Agreement, should have taken place early last year.

Further handovers will be carried out, which when completed early next year, will leave Yassir Arafat's Palestinian Authority in full control of 17.9 per cent of the West Bank and partial control of 22.9 per cent.

Israeli officials warned they would stop the implementation of the Wye accord if the Palestinians did not continue fighting terrorism. But Mr Arafat will face a considerable challenge from Hamas, the opposition Palestinian Islamist militant movement, which opposes any peace agreement with Israel and which has been responsible for suicide bomb attacks in Israel.

Izz el-Deen al-Qassam, the military wing of Hamas, yesterday issued a leaflet warning it would not stop its "holy fight and struggle against the Zionist occupation".

In addition to the land handover, Gaza airport is scheduled to open today, giving the Palestinians their first exit to the world to trade and travel – and another symbol of sovereignty and statehood.

Israel will also release 250 Palestinian prisoners from a total of 750 agreed at Wye, although 150 of those prisoners will be criminals – and not political prisoners as the Palestinians expected. A further 2,200 prisoners will remain in jail. Israel may also increase the the number of Palestinians allowed to work in Israel.

If agreement on implementing part of the Wye accord was plagued with threats, Israeli and Palestinians admitted the toughest negotiations lie ahead when final status talks on the future of Jerusalem, settlements, water, refugees and borders, start next week.

LISTING IN LONDON FINANCE MINISTER MAY DRAW LINE AT OLD MUTUAL'S REQUEST FOR MOVE

S Africa groups cautioned on domicile

By Victor Mallet in Pretoria

Big South African companies seeking to move their headquarters and primary stock exchange listings from Johannesburg to London will not receive automatic government approval, according to Trevor Manuel, finance minister.

In the government's most detailed comments so far on the companies queuing to change their domiciles – Billiton, the metals group, has already gone and the Anglo American conglomerate will switch its head office to London soon – Mr Manuel suggested yesterday that he did not favour such a move by Old Mutual, the big life assurer planning to demutualise next year.

"At Old Mutual it's a different kettle of fish," he said in an interview. "It's an insurance company that must own its assets prudentially in the same economy where it has its client base. You can't collect savings and just take them out of a country where one of the fundamental structural difficulties is that you have low savings."

Old Mutual, which last night declined to comment on Mr Manuel's statement, is the biggest of the South African groups arguing that they would benefit from a move to London and seeking official approval.

Mr Manuel and other leaders of the ruling African National Congress have given their blessing to Anglo's move and indicated that they would view favourably an application from South African Breweries.

Such companies, they said, needed to be able to raise capital efficiently in international markets and compete globally in their respective industries. Mr Manuel – who will visit Britain and Germany next month – said it was understood that South African Breweries could be listed in London because it needed "a position in a fairly aggressive world of brewers".

Mr Manuel compared the present South African corporate drive to become internationally competitive with earlier upheavals in UK industry, including the changed British attitudes that accepted the transfer of famous brands such as Rover to foreign owners.

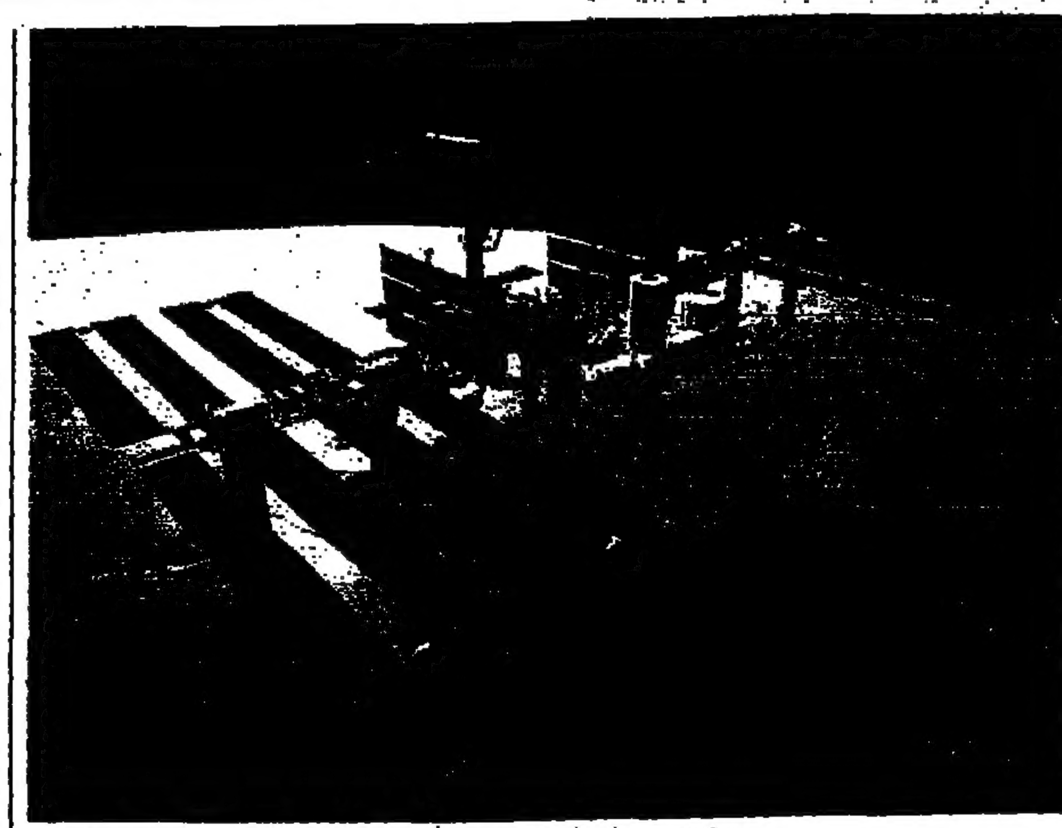
"The strengths of companies are what makes nations great," he said. "You try and lock Anglo American into South Africa, and you will destroy it.

"To see this in the negative connotation as companies running away from South Africa doesn't take account of the fact that this economy will only be as great as the main pillars thereof – which are companies. For companies to be great is not about confining them to home territory. And to talk about nationalism in those terms is, I think, bizarre."

But Mr Manuel hinted that even Anglo did not have carte blanche from the South African authorities following its move abroad, and he drew a distinction between the "nominal" UK domicile required for a company to be included in the FTSE 100 index and a company's "effective" headquarters.

"So the company needs to be domiciled nominally or otherwise as required," Mr Manuel said. "But what's very important is the other side of the deal that we will continue to talk to Anglo about – that 44 Main St [Anglo's Johannesburg head office] must remain there as the effective headquarters."

Among other South African companies considering a primary listing in London are Gold Fields, the world's second biggest gold producer, Liberty Life, the life assurer and financial services group, and Barlow, the industrial conglomerate.



To boldly go... an artist's impression of the international space station

Sun rises on age of space exploration

By Clive Cookson, Science Editor, in London

A Russian rocket is due to lift into orbit this morning the first component of a \$40bn international space station to be built 400km above the earth. The long-delayed launch will be followed by 44 more flights over six years, as US, Russian, European and Japanese space agencies assemble the 500-tonne base.

A gigantic Proton rocket will launch the Zarya (Sunrise) control and cargo module from the Baikonur cosmodrome in Kazakhstan. Zarya was designed and built in Russia – to serve as a multi-purpose space tugboat, providing propulsion, power and communications during the early stages of the project – but the US paid \$200m for its construction.

The US is providing political, technical and financial leadership for the whole project, contributing more than \$24bn, including a \$1bn subsidy to enable the financially starved Russian space agency to take part.

The US administration and its space agency, Nasa, have been keen on Russian participation ever since the old Soviet Union fell apart – partly for political reasons and partly to take advantage of Russia's unrivalled experience building and operating space stations, from the Salyut series in the 1970s to the seven-module Mir today.

If Zarya is launched successfully, it will be joined in orbit next month by the first US-built component. The Unity connecting module is a six-sided hub, to which more specialised modules will be attached over the next six years.

Then, next July, a Russian-built service module will be launched from Baikonur. This will provide the initial living quarters.

The first inhabitants have already been selected: William Shepherd of the US and Russians Yuri Gidzenko and Sergei Krikalyov. They are due to take up residence early in 2000.

Over the following four years, various laboratory modules will be added, together with extra accommodation to expand the permanent crew to six or seven.

However, the International Space Station has not caught the public imagination in participating countries – probably because it lacks any clear goal beyond its own construction.

In Russia, nationalists say scarce resources should be devoted instead to keeping Mir in orbit beyond next year, when it is due to be abandoned. In the US, scientists say research money would be better spent on myriad smaller projects.

Yesterday Michael Foale, an astronaut and deputy director of the Johnson Space Centre in Houston, responded: "Research is not actually the drive, the be-all and end-all of the international space station. It is really a vehicle to do something in space, continuing the exploration, moving out from the planet..."

The space station, he said, was an essential step to getting people to Mars, then on to the asteroid belt, the outer solar system and eventually on starships to explore the galaxy.

Harare to acquire 800 white farms

Zimbabwe's commercial farmers were huddled in crisis talks yesterday, after President Robert Mugabe's government announced it would acquire 841 mostly white-owned farms, Reuters reports from Harare.

Nick Swanepoel, president of the mainly white 4,500-member Commercial Farmers' Union, said on Wednesday that the government had informed his union that "acquisition of land orders" had been signed and sent out by Kumbirai Kangai, the agriculture minister, last week.

"In law, what this means is that immediately you get the order your land now belongs to the state and comes under the jurisdiction of the state president and payment would be discussed later," he said.

"We are shocked that the government is proceeding on these lines after giving us assurances it is committed to consultations. We were not consulted," Mr Swanepoel said, adding he was seeking an audience with Mr Kangai and Mr Mugabe.

In September the government promised western donors at a conference meant to raise finance for its land resettlement scheme that it would carry out the programme "fairly and transparently".

The proposed seizures come in the wake of a massive wave of illegal occupation of commercial farms by land-hungry black peasants at the start of a new cropping season.

Mr Mugabe's government, beset by violent protests as poverty worsens, has largely ignored the squatters, forcing farmers to seek eviction orders from the courts.

Currency traders said news of the planned seizures had shaken confidence, and the International Monetary Fund, due to consider releasing a delayed \$53m tranche in aid in December, is reported to have said no money would be released if the farms were taken.

"The negative sentiment is that if the IMF is not giving us money then the exchange rate is doomed, and if the currency is doomed then the economy is also doomed," said one trader.

Iraq faces stiff test by Unscom on inspections

By Roula Khalaf in Baghdad

Unscom, the United Nations weapons inspectors' commission, is preparing for a full range of tests of Iraqi commitment to comply with inspectors and has already requested several documents from the Baghdad government.

Richard Butler, chief UN weapons inspector, has written two letters to Tariq Aziz, Iraq's deputy prime minister, asking for documents, including one relating to chemical weapons used during the 1980-1988 Iran-Iraq war.

Unscom glanced at the document during a search of an Iraqi Air Force base in July but was not allowed to keep it. Baghdad has said it is willing to discuss this document but that parts relating to national security should not be seen by inspectors.

A western diplomat in Baghdad said Unscom's access to this specific document could possibly be resolved by allowing the commission to obtain the parts relevant to its work.

Officials close to Unscom said yesterday that, over the next two weeks, inspectors would test access to a full array of sites, documents, information and people.

While teams of officials responsible for monitoring sites that have already been inspected have resumed work, a special team responsible for spot inspection of sensitive sites is being set up by Unscom and will soon be sent to Baghdad.

The US, which called for air strikes on Iraq last weekend, wants the commission quickly to test Iraq's promise to resume co-operation.

Baghdad has emphasised in the past two days that monitors have been provided with full access to sites. Major-General Hussam Amin, head of Iraq's national monitoring directorate, told the Iraqi News Agency his government had opened up all the necessary facilities to monitoring teams.

In a move that Baghdad will see as provocative, Mr Butler is stepping up his rhetoric against the government. In a speech in Philadelphia late on Wednesday, Mr Butler accused Mr Aziz of having headed the controversial "concealment mechanism" which the chief inspector says slowed down the disarmament process. The issue of a concealment mechanism has been a source of tension between Iraq and Unscom.

According to Unscom, Iraq admitted in 1995 to having had a four-year concealment effort to hide its weapons development programme, but Baghdad said it had put a stop to it and that the weapons that had been concealed were unilaterally destroyed.

● George Robertson, UK defence secretary, yesterday said Saddam Hussein "capitulated" to UN demands only 15 minutes before the launch of strikes against Iraq by US and British forces, writes Stephen Fidler in Washington.

Mr Robertson, speaking to reporters in Washington before a meeting with William Cohen, the US defence secretary, said that, in future, Iraq would receive no warning before military strikes occurred. "The fuse is much shorter...the next time the only warning he will get is a withdrawal of the UN inspectors."

He said, however, that he did not agree that Unscom inspectors would not be needed after any bombing of Iraq took place. "The idea that we just wallop Iraq and walk away is not part of the strategy," he said. "Unscom would still have a role, and would be the only way that sanctions would be removed from Iraq."

President Bill Clinton said on Sunday that bombing of Iraq "would have marked the end of Unscom", reflecting a view that has been growing within the administration.

He said he was willing to send British pilots – who suffered high proportionate losses because of their role in the Gulf war – in to attack Iraqi air defence systems. "We know an awful lot more about Iraq than we did during Desert Storm and than we did during the air war." He said intelligence about Iraq had improved considerably.

BRITAIN

OFFSHORE TAX HAVENS REPORT INTO CHANNEL ISLANDS AND ISLE OF MAN FOCUSES ON FINANCIAL CRIME AND MONEY LAUNDERING

Islands are home to 90,000 companies

By Deborah Hargreaves in London

"All of the islands need to do something about companies and there needs to be action on company directors," said Andrew Edwards, a former top official at the UK Treasury, outlining priorities for the offshore centres of Jersey, Guernsey and the Isle of Man yesterday.

Mr Edwards was speaking at the launch of his report into financial regulation in the Channel Islands and the Isle of Man following a 10-month review of the offshore tax havens.

The islands' low tax rates have attracted large numbers of international companies to their shores. About 90,000 companies are incorporated in the islands – most in the Isle of Man. Mr Edwards notes that company regulation needs to be tightened up in all three islands.

For Jersey, largest of the Channel Islands between England and France, Mr Edwards stressed that the priority for the authorities is to co-operate fully with other countries in the pursuit of financial crime and money laundering.

A number of high-profile financial court cases have put the spotlight on the Channel Islands' regulatory procedures in recent years. The Bank Cantrade trial this year led to fines of $3m for the bank where a trader at the UBS subsidiary had misled investors by showing profits of $15m on foreign currency transactions when he had actually lost $11m.

In addition, when the Barings merchant bank failed in 1995, the bank's Guernsey subsidiary had lent deposits well in excess of its capital base and was technically insolvent. However, the unit was not declared insolvent as the authorities tried to find a buyer.

Mr Edwards says these cases point to the need for more on-site inspections of financial institutions and also the need for some form of rescue, moratorium or administration procedures as in the UK to help in dealing with insolvency. He also called for a financial ombudsman to deal with customer complaints.

In Guernsey, Mr Edwards said a priority should be to deal with the problem of nominee directors – the so-called "Sark lark". This involves residents of Sark, a small island under Guernsey's jurisdiction, sitting as directors on many different company boards. Although the population of Sark is only 575, total directorships held amount to around 15,000. Three residents hold between 1,600 and 3,000 directorships each.

Guernsey has begun to tackle the problem and has cracked down on "false domiciles" whereby islanders were fielding phone calls for companies located elsewhere. But it is still some way from divesting residents of their directorships. For the Isle of Man, Mr Edwards says it must strengthen the regulation of companies. Many thousands of companies are incorporated in the Isle of Man and thousands more administered from Guernsey and Jersey if not actually incorporated there.

Most of the companies are private and formed by non-residents or trusts to hold assets or interests outside the islands. The regimes for companies differ between the islands and are less heavily regulated than in the UK. Mr Edwards says there is no system in place in the Isle of Man for vetting new companies that want to register or for disclosure of a company's beneficial ownership.

He calls on the Isle of Man to introduce vetting and disclosure rules because of the scope for abuse.

Royal and ancient

■ The Isle of Man: between England and Ireland has a population of about 70,000 in an area of 570 sq km. The legislative assembly, called Tynwald, is claimed to be the world's oldest parliament in continuous existence. Finance and business services have become the island's biggest revenue-earners.

■ Jersey: largest of the Channel Islands between England and France, has a population of more than 80,000 and a thriving agricultural industry in a land area of little more than 100 sq km.

■ Guernsey: second-largest of the islands, has a similar population density in a slightly smaller area. Constitutionally, the two islands are "bailiwicks" under the British Crown with their own non-party legislative assemblies each called "the States" and their own courts.

The three islands have a unique, complex and non-colonial relationship with the UK. Each is a direct dependency of the Crown, which is represented on each island by a Lieutenant-Governor. The islands are outside the jurisdiction of the Westminster parliament and the English courts.

Authorities jubilant while bankers complain

By Brian Groom in St Helier, Jersey

The authorities in Jersey, Guernsey and the Isle of Man were jubilant about the Edwards report yesterday. His report leaves intact the twin pillars' on which the growth of the offshore financial centres is built. Tax advantages were not within his remit, and he stopped short of requiring public disclosure of the beneficial ownership of offshore companies and the people behind trusts.

Bankers, however, complained that his recommendations in many areas eroded client confidentiality. The financial industry seems likely to resist many of the detailed changes, including comprehensive customer compensation schemes in Jersey and Guernsey, and some changes in trust law.

Frank Walker, president of the States of Jersey's finance and economics committee, said: "Forgive me for having a little bit of satisfaction here – the report clearly demonstrates that those who have criticised our regulatory standards are comprehensively wrong."

There was little sign that the critics would be silenced.Prem Sikka, professor of accounting at Essex University and a thorn in the islands' side, said the report was a "missed opportunity" to tackle the underlying political factors that made them "sleaze factories" – including the lack of separation of powers between the judiciary, legislature and executive.

Philip Sinel, a Jersey advocate pursuing compensation for investors involved in the Cantrade private banking scandal, said Edwards had "left uncriticised various people in authority who should have been chastised or removed". He said it was unlikely that the Cantrade affair would be repeated, but that was because of action the investors had taken, not because of Edwards.

Edwards recommends the setting-up of a confidential hotline for whistleblowers, such as the person who was ignored by his superiors at Cantrade. The Jersey authorities said they might go further and provide statutory protection for such informers.

The Jersey Bankers Association said it supported the release of information to other authorities where crime was involved, but was worried about "areas which potentially affect the fine dividing line between protecting our clients' confidentiality and the disclosure of information about customer affairs to authorities outside the jurisdiction of Jersey."

On the Isle of Man, authorities said they would give serious consideration to the recommendation that companies should be vetted at registration and be required to make confidential disclosure of beneficial ownership.

Edwards' main recommendations

St Helier, Jersey

Jersey
- Co-operate fully with other countries in investigations, including tax offences
- Strengthen anti-money laundering legislation
- Require registration for companies operating in the island but not incorporated there
- Consider establishing a customer protection scheme

Guernsey
- Deal urgently with the problem of "nominee" directors, the so-called "Sark lark", which it has already begun to tackle
- Complete anti-money laundering legislation
- Require registration for companies operating in the island but not incorporated there
- Update insolvency laws

Isle of Man
- Strengthen regulation of companies and of company and trust service providers, preferably by vetting companies and requiring the disclosure of ownership
- Introduce new insolvency legislation
- Provide more resources for the police to combat fraud and money laundering

Investigation is overshadowed by EU concerns

By Jim Kelly in London

History may judge Andrew Edwards' report on tax havens near the UK as a sideshow. The big question for the European Union, the G7 and the OECD is whether such tax havens should exist at all.

The report dismisses the subject: "Offshore centres generally are sometimes criticised for maintaining tax regimes that divert business from onshore jurisdictions and deprive them of tax revenues. These issues lie outside the scope of the report."

But the issue is unlikely to be so easily dismissed by the governments of Jersey, Guernsey and the Isle of Man. Even as Jack Straw, the home secretary, considers the Edwards report, his colleague Dawn Primarolo, financial secretary to the Treasury, will be at the centre of discussions on the future of European tax havens.

Ms Primarolo has been named as first chairman of the European Union Code of Conduct Group – a body designed to spot and eliminate "harmful" tax competition. The group, set up by Ecofin at the end of 1997, will look at European countries and their dependencies.

The reduction of tax anomalies is the forerunner of a more important debate on the speed and depth of tax harmonisation within the EU after introduction of the euro in 1999. Tax harmonisation has most support in France and Germany and is being pressed by Mario Monti, EU commissioner for the single market. The EU initiative dovetails with several other international efforts to define harmful tax competition and police it. The OECD has launched a seven-year drive to stamp out tax havens which unfairly distort fiscal competition. Switzerland considered using its veto to block a report on the issue.

The G7 joined the OECD and EU in May this year when it launched an initiative on harmful tax competition. Members agreed to clamp down on tax evasion and help each other stamp it out. Gordon Brown, UK chancellor of the exchequer, said tax evasion flowed from harmful tax competition.

All three projects are likely to be affected by the same problems. Defining harmful tax competition is as difficult as defining the difference between tax avoidance and tax planning and is largely subjective.

Ex-MI5 officer might have been caught by new treaty

By Andrew Parker and Jimmy Burns

The government may not have lost its attempt to extradite David Shayler, the former MI5 officer now in France, if a new European treaty had come into force.

The French court which on Wednesday rejected the government's request to extradite Mr Shayler based its decision on a view that his criticism of MI5 and MI6 in UK newspapers was a "political" offence.

Under a 1957 extradition treaty between the UK and France, there can be no extradition for an offence considered to be political. However, under a draft EU treaty due to replace the 1957 law, it is unlikely any offence could be regarded as political.

Yesterday, ministers and Labour MPs expressed dismay at the government's handling of the affair. "This is a bogus case. It's not as if Shayler is compromising agents in Baghdad and Tehran," one minister said.

Special Branch is believed to have concluded that Mr Shayler's disclosures have not caused serious damage to MI5 or national security.

Mr Shayler, who fled to France last year, faces two charges under the 1989 Official Secrets Act. He has claimed that MI6 tried to kill Colonel Muammer Gadaffi, the Libyan leader. He has also claimed that MI5 compiled files during the 1970s on Jack Straw, home secretary, and Peter Mandelson, chief industry minister, because they were considered potential subversives.

MI5 accepts that while injunctions preventing UK newspapers publishing any new allegations by Mr Shayler remain in place, there is nothing to stop the media reproducing any statements he may make to publications in other countries or puts on his personal website.

MI5 hopes Mr Shayler may be deterred from continuing his disclosures by his wish to return to Britain.

The Home Office said it was still considering whether to appeal against the French court's decision.

NEWS DIGEST

ROUTE BETWEEN ENGLAND AND FRANCE

Company begins planning second Channel crossing

Eurotunnel has begun work on plans for a second Channel crossing between France and England even though capacity in the present Channel tunnel will not be exhausted until 2025. The company yesterday appointed consultants to help draw up plans which could involve either a second tunnel or a bridge.

Eurotunnel is required to propose a second link by January 2000 under the terms of its concession and it has an exclusive right to open the link up to 2020. After that time a rival would be free to build a competing crossing. The appointment of consultants comes less than five years after the Channel tunnel opened and a year after Eurotunnel achieved its first operating profit. Eurotunnel shares fell ½p in London to 77p. **Charles Batchelor, London**

Trains in Tokyo, Page 12

SMART CARDS

Murdoch group awarded $47m

News International, the media group headed by Rupert Murdoch, has won £28m ($47m) in damages in the High Court against a company and one of its directors for dishonestly overcharging the organisation for smart cards issued to satellite television viewers.

Michael Clinger, a director of News Data Security Products, abused his position by systematically overcharging for millions of smart cards used by Sky TV subscribers to activate signal decoders in the late 1980s and early 1990s, the judge ruled. Other suppliers were undermined so the monopoly could be maintained, the court heard.

The case was brought by News International and four other Murdoch companies against News Data Security Products, in which a News Corporation subsidiary had a stake; Mr Clinger and his company International Development Group; his associate Michael Luzann; and Phoenix Micro, a Liberian company. **John Mason, London**

DIGITAL TELEVISION

'Dish-free' promotion outlawed

The Independent Television Commission, the industry watchdog, will today announce it has ordered the ITV commercial television network to scrap its new advertisements for digital terrestrial television. The decision, agreed at yesterday's meeting of the commission, follows a complaint from British Sky Broadcasting, the satellite group.

The promotions had angered BSkyB, which last month launched a 140-channel digital satellite service, because they included a symbol of a satellite dish with a red cross through it, accompanied by a voice offering "dish-free digital". Two of the biggest ITV companies, Carlton Communications and Granada Group, are joint owners of BSkyB's rival On Digital. **Cathy Newman, London**

LG GROUP

Investment value 'unproven'

The overall value of a £1.6bn ($2.7bn) investment by LG of South Korea in two factories near Newport in south Wales "must at best be unproven", the House of Commons Welsh affairs committee has said. MPs on the committee pointed out that each of 6,100 jobs would cost £40,000 in public subsidies.

The committee has also called on the Welsh Development Agency to take a "more strategic approach" to attracting inward investments by identifying potential growth markets. It says there is a growing consensus that growth in Wales will be achieved through development of indigenous industry. It adds that there is a "duplication of business support" at local level. **Andrew Parker, London**

OFFICE OF FAIR TRADING

School bus 'cartel' alleged

The Office of Fair Trading yesterday said it had exposed a "secret cartel" operated by Stagecoach and 12 other bus companies to rig the price of contracts to operate school buses. John Bridgeman, director-general of fair trading, said representatives of the companies met secretly in a hotel and agreed on minimum prices at which they would tender to supply school bus services to Kingston Upon Hull city council in north-east England.

Mr Bridgeman said the bus companies also agreed which routes each operator would bid for. The alleged agreement came to light after the council complained to the OFT. Stagecoach, a Scotland-based transport group, which also operates train services, said it was setting up an internal investigation. It did not believe it had been involved in a cartel. **Kevin Brown, London**

The Beatles' city aims for a hit image by leaving behind bad old days of strife

North-west port of Liverpool launches its new 'brand' in 1999, **Sheila Jones** writes

Think of Liverpool, and what springs to mind? The Beatles? Soccer? A trading port? Or perhaps the period in the 1980s when the city in north-west England became synonymous with a unique brand of ruthless leftwing politics.

In January, Liverpool will launch a new brand. Holiday packages will target cities with which Liverpool has historic links, such as New York and Dublin. In the UK, trains, airports and the London Underground railway will be blitzed with billboard posters in a campaign targeting south-east England.

Liverpool is not the first city to hire brand consultants, and it is conscious that "slogan fatigue" could torpedo its efforts. Alex Batchelor of Interbrand Newell & Sorrell, the brand consultants, says Liverpool faces an uphill challenge but the dividends can be high.

"You only have to look at New York 12 years ago, when it was seen as place for muggings and the last place to visit. Now it is the number two tourist destination after Paris."

Market research indicated that Liverpool and the wider Merseyside region, had to "reposition its corporate marketing and give a constant, clear and focused" message, according to Neil Rami, marketing director of Mersey Partnership, the regeneration agency.

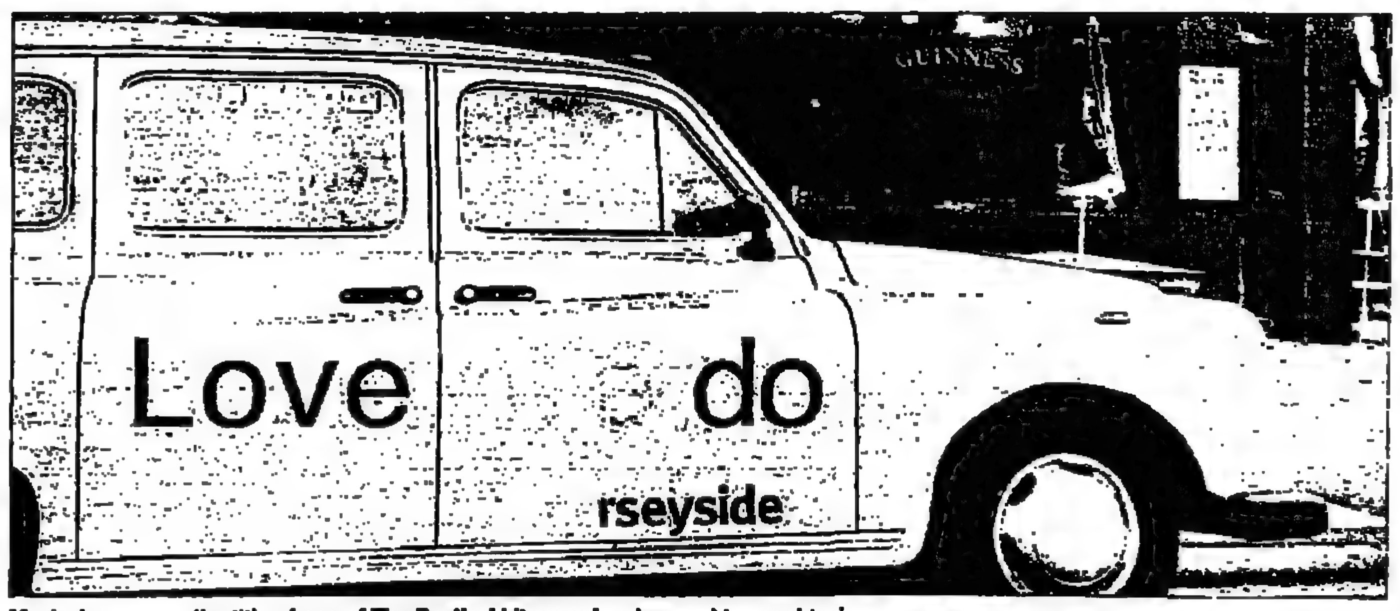
"We're not going for a slogan," he said. "People are fed up with them. We are creating a new brand that is contemporary, flexible and simple." Posters focus on heritage, culture, music and sport. The brand, created by McCann Erickson, picks out the "Me" in Merseyside and the "Live" in Liverpool. Leaflets will go to homes across Merseyside to try to ensure the people of the city "are equipped to promote the place".

Liverpool has moved on from the bad old days of industrial strife, according to Mr Rami. Industrial relations are no worse than anywhere in the UK and productivity is above national averages. Investment is rising. Only this week, EasyJet, the cut-price airline, announced four new routes to European cities from Liverpool creating 300 jobs. But the region is still failing at the last hurdle to win over some investors.

Businesses say the region has the right infrastructure and workforce, but they are less sure about persuading managers to relocate there. "There is clearly still an image issue but much less so. Now, it is about environment, quality of life and business confidence. People don't know what Liverpool and Merseyside have to offer," says Mr Rami.

Local employers are backing the new brand. "Merseyside has a wealth of strengths and it is better placed to promote these if it presents a united front," says James Ross, chairman of the Littlewoods Organisation. Robert Wade-Smith, who created Liverpool's Wade Smith retailer, now part of the Arcadia group, is one of Merseyside's millionaires.

Mr Wade-Smith says the reality of Merseyside is "far more impressive" than the reputation. The Wade Smith shops took off in Liverpool and are now expanding. "The people here spend more and save less."



Musical message: the title of one of The Beatles' hit records adorns a Liverpool taxi

MONETARY POLICY GROWTH AND PRICE STABILITY ARE NOT ALTERNATIVES, SAYS GOVERNOR

Central bank scorns EU criticisms

By Christopher Adams, Economics Staff

Eddie George, governor of the Bank of England, yesterday delivered a stinging attack on continental Europe's left-leaning politicians, dismissing calls that monetary policy should be co-ordinated to promote economic growth and job creation.

In a blunt address to business leaders last night, the governor rejected criticism that the UK central bank's focus on inflation was too narrow. "You hear this complaint not just in this country but increasingly these days in continental Europe. I must say it leaves me totally bemused."

Mr George said the criticism implied growth and price stability were alternatives, between which there could be a trade-off. "What it suggests is you can have one if you're prepared to have a bit less of the other. I thought the debate had advanced beyond that point ... In anything other than the short term you can't have one without the other."

The governor said previous attempts to increase growth by pumping up demand had already resulted in inflationary booms and subsequent busts. "What we, and the Bundesbank, and the European Central Bank in future, have to do is to keep overall demand growing broadly in balance with the underlying supply-side capacity of the economy, aiming to dampen rather than aggravate the economic cycle."

Mr George gave no assurances that interest rates would be cut further. Instead, he said the Bank would be quick to tighten monetary policy if inflation looked like persistently overshooting the official target.

His comments coincided with evidence of a sudden contraction in consumer credit growth. The British Bankers' Association said consumer credit increased just £480m ($805m) in October, almost the smallest monthly rise this year. The figures were consistent with a sudden, sharp decline in discretionary spending that helped push retail sales down last month.

However, the association said it was too early to conclude that credit growth was about to undergo a sustained contraction. Total sterling lending to the private sector, meanwhile, rose by a seasonally adjusted £5.84bn, compared with £2.66bn in September. Broad money supply, meanwhile, continued to rise, although at a more moderate rate.

● The Cornwall, South Yorkshire, West Wales and Merseyside regions of England look set to share several billion pounds of European Union funding in the first half of the next decade after analysis showed their wealth per capita was well below average, Michael Smith writes in Brussels.

However, two other UK regions, the Highlands and Islands of Scotland and Northern Ireland – both of which receive "objective one" regional aid funds under existing arrangements – could receive less money from 2000 onwards.

Under a blueprint for EU spending reforms put forward by the European Commission, the EU's executive, regions will only qualify for "objective one" funds – the biggest slice of regional aid – if their gross domestic product per capita is 75 per cent or less than the EU average over three years.

Conservatives firm on European elections

By Liam Halligan and George Parker

William Hague, leader of the opposition Conservative party, yesterday threatened to disrupt the government's legislative programme for the coming year by pursuing his campaign to obstruct voting reform for elections to the European parliament in June 1999.

Tony Blair, the prime minister, warned that Conservative intransigence meant next June's elections would almost certainly be fought under the current first-past-the-post system in which the candidate with the largest number of votes wins even if that is a minority of the votes cast. "If they play that game we have got to go back to the old system," Mr Blair said.

Mr Hague intends to use guerrilla tactics to frustrate government plans to force through the bill in the new parliamentary session, with the help of the rarely used 1949 Parliament Act. The ostensible argument is over whether voters should be able to vote for named individual candidates, as demanded by the Conservatives, rather than being obliged to opt for a faceless party.

Conservative peers in the House of Lords – the unelected upper chamber of parliament – and MPs warned that they would delay the discussion of other important government legislation rather than pass the measure. This could be damaging to the government, which plans a substantial legislative programme including health and justice reforms.

The European Parliamentary Elections Bill was lost on Wednesday, having been rejected five times in succession by the Conservative-dominated House of Lords. Under pressure from the opposition Liberal Democrat party, ministers said the measure would be forced through parliament in the new session, using the Parliament Acts to override the upper house. The Liberal Democrats strongly support proportional representation.

Mr Blair's staff said last night that Conservative wrecking tactics could prevent the bill from becoming law in time for the new voting system to be introduced for the June elections. "If the opposition wants to frustrate the government on this, they can." The bill has to become law by mid January.

City of London prepares for rapid assault on euro

From extra trains to fresh food, London will adopt a military stance for the euro conversion, **George Graham** reports

Banks and other institutions in the City of London have been planning with military precision for euro-weekend, at the end of next month, when they will convert their balances and portfolios.

The conversion weekend runs from Thursday December 31 – when most London markets will be closed but payment and settlement systems will still be running – through to the start of trading on Monday January 4.

That sounds enough time to convert cash balances from currencies such as the D-mark into euros, to redenominate government bonds and other securities, and to adjust computer systems in readiness for the new currency.

In practice, however, international banks will have a much narrower window. Many of them will lose five hours at the start because they will not be able to shut down their systems until New York has closed on December 31. On January 4, meanwhile, they must be ready in time for the opening of markets in Australia, ten hours ahead of London.

That means everything must run like clockwork, so the City is taking extra precautions to make sure everyone can get to work on time. Most restaurants in the City will be closed during the public holiday.

"We will be laying on three meals a day for staff who are working over the New Year conversion weekend," said Jeremy Smith, who is handling the preparations at Bankers Trust, the US-owned bank. "We believe that if people are giving up their time, we need to look after them. It's not caviar on the menu, but it is boeuf bourguignon."

Staff at Goldman Sachs, the investment bank, were worried to discover at their last Emu rehearsal that they were being fed with Marks & Spencer pre-cooked meals. The bank has assured them this was because the kitchens in its new building were not yet ready; "all will be well" by the end of the year.

Morgan Stanley, whose offices at Canary Wharf, in London's Docklands, are even more deserted than the City outside conventional business hours, will have its staff restaurant open for four meals a day, including a late night snack. Bankers Trust is expecting to have between 650 and 700 people working at some point over the conversion weekend, and a total of 1,500 to 2,000 in financial centres in other countries.

Salomon Smith Barney, the investment banking subsidiary of the Citigroup financial conglomerate, will have about 500 people working, but is better placed than some of its competitors, because its offices are in the Victoria district of London, less of a dead zone than the City over a holiday weekend.

Most railway lines will operate at least a regular weekend service over the New Year holiday, but the Corporation of London, the City's municipal authority, has paid London Underground to open the short line connecting Waterloo station to the Bank Underground station in the City. The line would normally have closed for the weekend. Many parking restrictions will be suspended until January 2.

That is not enough comfort for some banks, however. Many are so worried that key staff might not be able to get in, that they have booked hotel rooms.

Mr Smith of Bankers Trust says he has booked 150 rooms in central London hotels. "In case of bad weather, we would very much like people not to get stuck in a snowdrift."

Merrill Lynch, however, expects its operations staff to be made of sterner stuff. "We will have some camp beds on the floor," one Merrill banker said.

One burning question remains: will staff be allowed to see the New Year in with a glass of champagne, or will the bubbles have to wait until they are sure the euro conversion has been completed successfully? In some banks, the issue has gone to board level, and answers are urgently awaited.

Trains in Tokyo 'keep better time'

By Charles Batchelor, Transport Correspondent

In London, 85 per cent of Underground trains arrive within five minutes of schedule while in Tokyo 96 per cent arrive within one minute, according to a report yesterday by the London Research Centre and its counterparts in Tokyo, Paris and New York.

London must make a serious effort to improve the punctuality of the Underground system and its regional rail network to reach the best international level, the centre said.

The study, believed to be the first to compare the four cities, coincides with a review by the UK government of ways to attract private capital to help fund the Underground.

London is better than New York where only 80 per cent of Subway trains arrive within five minutes but the punctuality of regional rail services into London is the poorest of the four cities.

The excellent levels of punctuality and reliability of the Tokyo rail network are combined with high frequency of both peak and off-peak services, the study says. There are, however, high levels of overcrowding with rail staff physically pushing commuters on to packed trains.

London has the largest number of railway stations and a bus network which offers most residents of Greater London a service within five minutes of home or the workplace. London is the second most expensive city for public transport after New York.

Paris has the densest underground railway network and although peak services are very frequent they are often hit by strikes. A levy on business used to finance transport makes Paris the cheapest city of the four.

The New York Subway operates a 24-hour service and has the highest number of trains per day. But its punctuality rate is poor.

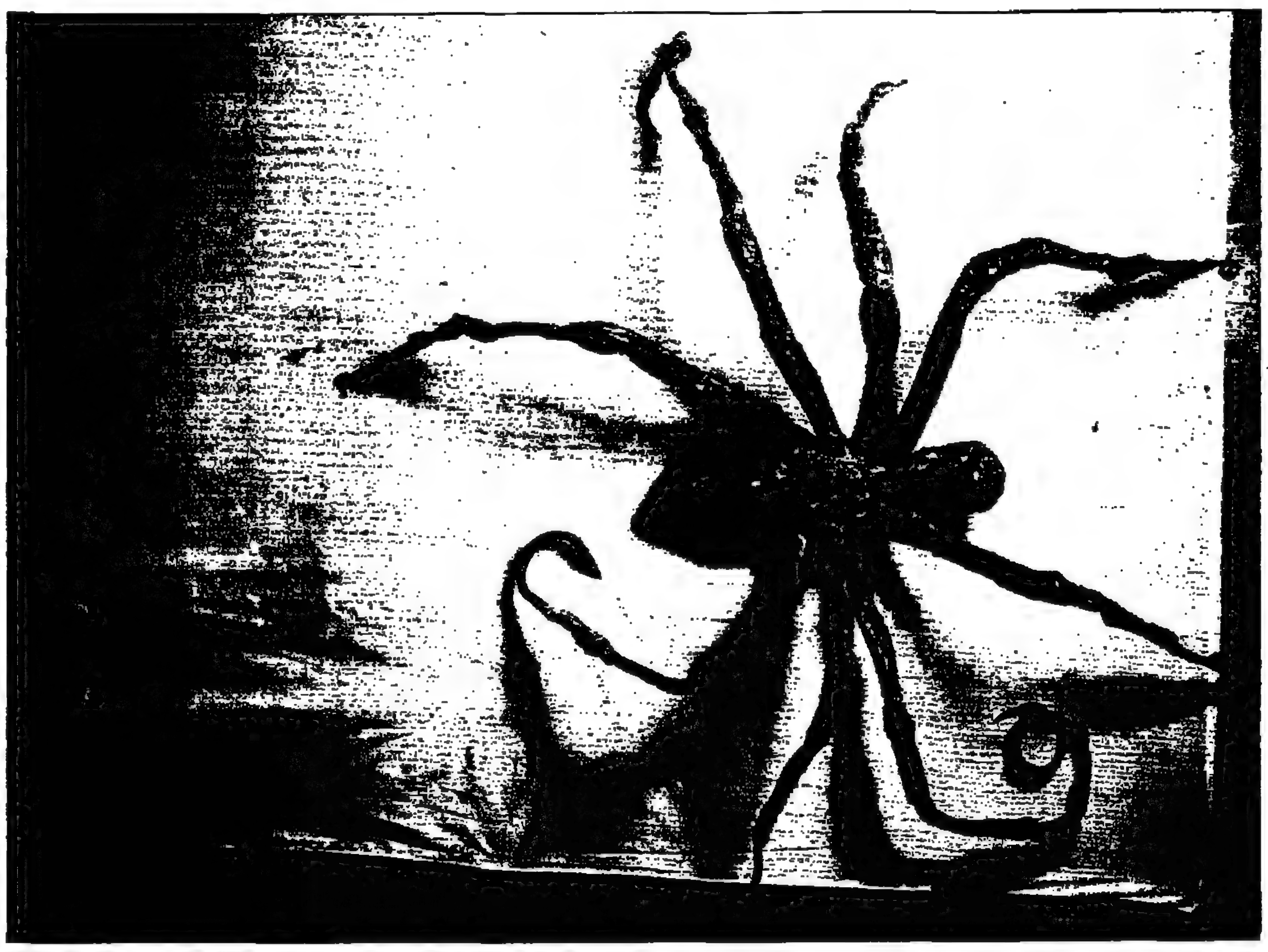
On London, the report says: "Given the age of the underground system, considerable investment is needed in renewals and modernisation even to maintain the current level of service."

مكان الاعلان

ART LOUISE BOURGEOIS

Ghosts better laid to rest

Ralph Rugoff considers the macabre erotism found in the installations of an 87-year-old master ultimately banal



'Spider IV' 1996, steel, wall relief: a grotesque and spooky majesty by Louise Bourgeois — Peter Bellamy

Louise Bourgeois is the widely revered *éminence grise* of contemporary art. But like the granny in *Cold Comfort Farm*, she is forever reminding us that something nasty happened in the wood shed. For more than 40 years, the New York-based artist has been chatting up her miserable childhood and invoking it in visceral works that reek of sexual trauma. And judging by the survey of her recent sculpture now at the Serpentine Gallery, in London, at the grand age of 87, she shows no sign of changing course.

You have to admire her vitality: old enough to be a great-grandmother to the "bad girls" of 1990s art, Bourgeois still manages to be feverishly obsessed by sex. Not expressions of joyful passion, mind you, but violent and macabre erotism. One of the stronger works at the Serpentine features a pair of headless figures locked in a deathly embrace and trapped in a vitrine.

Made from padded black fabric, their crude, interlocking forms suggest a Möbius strip of desire and frustration – an alienated rapport underscored by the knee brace on one figure and the harmlessly limp male member on the other.

Not content with simply presenting perverse scenarios, Bourgeois wryly implicates the spectator as a voyeur. Encountering sculptures in which used clothing hangs from steel poles, we find ourselves gazing up women's undergarments and skirts. To view a room-sized installation, we have to peer through the dust-smeared windows of old doors. Never known for her discrete charms, La Bourgeois constantly *reminds* us that looking at art is merely a refined and sublimated version of peeping.

Her recent fabric and clothing sculptures, however, evoke ghostly remains rather than warm bodies. Mixing the aesthetics of the atelier and the abattoir, Bourgeois fashions home-made voodoo-dolls and sausage-like limbs that dangle from sadistic steel hooks, or in one piece, cattle bones. In a number of stuffed garment pieces, arm and neck holes are sewn up with sloppy stitches that call to mind Frankenstein sutures; the resulting lumpy forms evoke the work of an eccentric butcher.

Bourgeois's use of clothing has less to do with the art world's fashionable interest in fashion than it does with her ongoing examination of her personal history. The daughter of Parisian tapestry restorers, she engages motifs of sewing and weaving to revisit the anguish of an early family life marked by her father's love affair with her tutor and her own adolescent suicide attempt. Thanks to her public commentary over the last four decades, it has become the most famous unhappy childhood in 20th century art.

It is also possibly the key reason for Bourgeois's resurgent popularity. In the 1960s and 1970s, the New York artist was out of sync with the cooler prevailing trends. But in the 1980s, her view of art-as-therapy struck a chord with a generation obsessed with healing their Inner Child. And Bourgeois, who says she identifies with Balzac's Eugenie Grandet because she was never given a chance to grow up, became the art world's favourite neurotic.

Both of her large installations at the Serpentine evoke the troubled domesticity of her youth. In one, an enormous bronze spider over six metres high sits astride a cylindrical steel-mesh cage as if guarding its nest.

Worn tapestry fragments and an abandoned armchair decorate the stark enclosure, and a door has been left ajar, suggesting the former occupant has flown the coop.

The artist's confrontational impulse appears to have flattened out

On an adjacent wall a "baby" spider – the one-time prisoner? – appears to be climbing towards the ceiling.

Bourgeois's spiders emanate a grotesque and spooky majesty, but the installation as a whole is marred by various "poetical" items, including a broken pocket watch, an empty perfume bottle, and bits of bones, which adorn the cage. These trinkets may hold great personal meaning for the artist, but as an artistic vocabulary such corny emblems of mortality and loss were long ago exhausted, and their sappy presence undermines the work's imposing physicality.

Sentimental symbolism also afflicts "Cell (Clothes)", one of a series of room-like installations which the artist has been making since the early 1990s.

A collection of dowdy garments, some hanging freely and others stuffed to resemble female body parts, occupy a circular room formed by a wall of linked doors. Predictably, the antique clothes evince a desolate alienation. The effect is so uniform you wonder if it wasn't applied with aerosol spray. One longs in vain for a touch of the acid humour which animated Edward Kienholz's morbidly theatrical installations; instead, Bourgeois's hothouse of frozen memories settles for gloomy preciousness.

Which is a shame, because buried in the installation are engaging objects which would be better off standing alone, including an orgiastic tangle of stocking-ed limbs collapsed across a stool. The subject is almost identical to Sarah Lucas's "Bunny I", a major work in last year's *Sensation* exhibition, but the older artist's fetish is subtler and far more compelling.

As a rule, Bourgeois is at her best when she keeps it simple.

Perhaps an awareness of this led the Serpentine to limit the number of works in the exhibition (when it premiered in Bordeaux last spring, the show included more than 20 additional sculptures and dozens of drawings). The result is a handsome, honed-down installation which takes advantage of the museum's intimate galleries, and gives each work plenty of breathing room.

Yet even in this abbreviated version there is repetition. From early in her career, Bourgeois has claimed that she forges her work out of pain, and that art guarantees sanity. For this, she has been widely celebrated. But she has exorcised her childhood demons for so long, they have become encrusted with nostalgia. As evidenced by her work at the Serpentine, the artist's much-admired confrontational impulse appears to have flattened out, and rather than recombining anatomical forms in ways that confound, startle and intrigue, her sculptures follow a familiar formula.

What haunts this show in the end are not ghostly memories of her unhappy youth, but the whimpering spectre of banality.

At the Serpentine Gallery, London W2, until January 10. Sponsored by BMW Financial Services Group.

Don't ride this vehicle

THEATRE

DAVID MURRAY

Little Malcolm and his struggle against the eunuchs
Hampstead Theatre, London NW3

At the little Unity Theatre in 1965, young David Halliwell's *Little Malcolm and his struggle against the eunuchs* made a notable splash, with himself playing Malcolm and Mike Leigh as director. Since then, Halliwell has written at least 35 more plays.

Not many people know that – though many of his later titles are even more succulent: *A Last Belch for the Great Auk, Janitress Thrilled by Prehensile Penis, The Freckled Bum*. Everyone, however, knows about the film star Ewan McGregor, and London's newspaper-readers have recently learned that his uncle is that very clever, under-used actor Denis Lawson – because Denis has directed Ewan's return to the stage in *Little Malcolm*, at the Hampstead Theatre.

I don't know which of them chose this cruelly dated play. Perhaps Lawson recalled the original production that provoked such trendy acclaim before McGregor was born and thought it a good vehicle for his nephew. But it isn't; nor, I think, could it be for anyone now. *Little Malcolm* is an incoherent thing.

With a sincere imaginative effort, one can just about see what its attractions might have been in 1965. A new "angry young man"; a hostile cartoon of radical-student politics, and a comforting deflation of their pretensions; lots of the newly fashionable monologues, strenuously acted out, or comically strangulated, laced with rapid-fire exchanges in choral style, voice upon voice upon voice.

Now, *Little Malcolm* seems a virtual museum. Though Lawson has directed it with actorly sympathy and terrific pace, its parts fall apart. Rob Howell's handsomely naturalistic set (a warehouse "studio" in Huddersfield) would be an asset to any serious play – or comedy – about frustrated art students; but here it keeps reminding us that the stage action is unnaturally unlikely, even downright silly.

Malcolm begins promisingly, with McGregor speaking his muddled thoughts from under a chilly bedspread. His first visitor and co-conspirator Ingham (Nicholas Tennant, very funny) arrives to do the first of his ludicrously inarticulate monologues; then the faithful Wick (Joe Duttine) joins them, alight with subservient passion; and later Nipple (Sean Gilder) arrives, a sad sack of over-literate sexual fantasies.

They all identify with Malcolm's problem, which is that he has just been ejected from their art course on account of tardiness and talentlessness. His new ambition, which soon becomes grandly anarchical, megalomaniac and crypto-Fascist, is to see off the hostile principal of Huddersfield Tech. Meanwhile, we learn that his real obsession is with Ann, another student, but he is too cravenly shy to do anything about it.

Somewhere around there, we start to realise that we don't believe *any* of this stuff: neither the "political" ranting nor the crazy campaign, nor the characters and their passions. We can admire the actors' efforts, but they take us nowhere. When an ugly incident at last brings Malcolm and his cohorts to reflect and repent, the other three chums turn abruptly grown-up and reasonable; Malcolm is left squashed and benighted.

Those twists are at once more predictable and more incredible than the original situation, as well as more patronising. McGregor is in the same boat as his more stage-wise colleagues – up a river without a decent paddle. One's sympathies go out to all these excellent people, including Lou Gish's pragmatic, abrasive Ann, but my advice is: avoid, avoid!

Ewan McGregor: starring in a museum piece — Alastair Muir

A splendid racket worth shouting about

DANCE

CLEMENT CRISP

Stomp
Roundhouse, London NW3

Stomp is back in London, playing at the Roundhouse until Christmas – which is all the news that its aficionados will need to know. For devotees outside the metropolis, a regional tour will follow. For newcomers, let me say that this is a show about rhythm – rhythm banged, slapped, stamped, kicked, drummed and cajoled from everything and anything, from plastic bags to dustbins, from oil-cans and tea-chests, from brooms and matchboxes, up to and including the kitchen sink.

Eight performers – two females, six men at Wednesday night's opening performance – make noises, from triple forte to the most dulcet pianissimo and, of course, follow the old song and say *I got rhythm* (though not a word is spoken all night). It is nine different sorts of cliché to point out that the pulse of our bodies, of our universe, is rhythmic and that most of us respond to a drum beat. *Stomp's* clever trick is to explore this on terms very direct and very cunning.

The cast are dressed as for manual labour of the most basic kind – in that *faux-chic* of dungarees and clunky boots that is so much part of yoof culture – and have a determinedly demotic air. Luke Cresswell appears, armed with a broom, to sweep the stage, and to start a rhythmic pattern thereby. The other members of the cast soon join in and we (and the entire auditorium) seem suddenly caught in this web of beats and cross-beats, of an interplay of footfall and broom-swish, of the patter and rattle of handles and broom-heads.

The rest follows insidiously, irresistibly, and in a manner that is honed to perfection. (Who would have thought that the Zippo lighter was a musical instrument, or that wooden poles were actually a carillon?) The extra trick *Stomp* plays is that, despite having performed these games and routines for years, the freshness and intoxication of the rhythms and the sometimes musical wit of the performance has not been dulled.

It is a contagious evening, with its moments of slyness (the show's clown, in a suicide's beret and spectacles, is funny, stylish, a master in timing) and with effects gauged and presented with absolutely sure theatrical sense. And yet it never loses its seeming spontaneity: it has something of the improvisatory thrill of the best flamenco (and offers a zapateado done by feet and broom-handle). And the beat never loses its hold on us, however complex – and some of the patterns are markedly subtle.

Fascinating to see that Cresswell can still make an audience understand, within 30 seconds, that they must echo his handclaps: we clap in reply to him as if we had been doing it all our lives – and love the jokes he pulls on us, too. The programme, which runs for nearly two hours without an interval, has enough inner variety not to pall, though certain numbers make the basic idea of hitting the beat less than fresh. There is, though, an appreciable sense of progress to events, which whets our anticipatory appetites. That *batterie de cuisine* of wheels and hubcaps and unguessable metal detritus that forms the back-drop is not there for nothing!

Sure enough, the chaps clamber up and start the most splendid racket, and later on, dustbins and dustbin lids and oil-drums are part of an intoxication of din and duelling and drumming that reaches deep into our child-like delight in making noise. ("If you don't stop that banging, I'll come and bang you!").

It is, I suppose, for the child in us all. But I would warn parents that if they take the tots (who will love it!) life at home is going to be even more reverberant than it is now.

INTERNATIONAL Arts Guide

ADELAIDE

OPERA
State Opera of South Australia
The Ring: first cycle of Wagner's opera. Staged by Pierre Strosser and conducted by Jeffrey Tate, this performance of The Ring is the first in Australia since 1913; to Nov 24

AMSTERDAM

OPERA
Netherlands Opera, Het Muziektheater
Tel: 31-20-551 8911
The Rake's Progress: by Stravinsky. Conducted by Reinbert de Leeuw in a staging by Peter Sellars. Cast includes Donald McIntyre; Nov 20, 23

CHICAGO

CONCERTS
Orchestra Hall
Tel: 1-312-294-3000
www.chicagosymphony.org
Chicago Symphony Orchestra: conducted by Riccardo Chailly in works by Mahler and Mendelssohn. With mezzo-soprano Petra Lang and baritone Simon Keenlyside; Nov 20, 21, 22, 24

OPERA
Lyric Opera of Chicago
Tel: 1-312-332 2244
www.lyricopera.org
Ariadne auf Naxos: by R. Strauss. New production by John Cox, conducted by Robert Spano. Cast includes Deborah Voigt and Susan Graham; Nov 21, 24

EDINBURGH

OPERA
Edinburgh Festival Theatre
Tel: 44-131-529 6000
● Scottish Opera: Tristan und Isolde, by Wagner, in a production by Yannis Kokkos, directed here by Peter Watson and conducted by Richard Armstrong. Cast includes Jeffrey Lawton and Eva-Maria Bundschuh; Nov 21
● The Magic Flute: by Mozart. Scottish Opera production by Martin Duncan, conducted by Richard Farnes; Nov 20

HELSINKI

DANCE
Finnish National Ballet
Tel: 358-9-403 021
Giselle: staging by Sylvie Guillem. With sets and costumes by Ramón B Ivars. Conducted by David Garforth; Nov 20, 24

HUDDERSFIELD

CONCERTS
Huddersfield Contemporary Music Festival
Tel: 44-1484-430 528
● BBC Scottish Symphony Orchestra: conducted by Tan Dun in the UK premiere of his opera Marco Polo. Concert performance, with the Chorus of the Royal Scottish Academy of Music and Drama; Town Hall; Nov 22
● London Sinfonietta: conducted by Elgar Howarth in works by Simon Holt, Luis de Pablo and Elliott Carter. With clarinet soloist Michael Collins; St Paul's Hall; Nov 20

DANCE
Huddersfield Contemporary Music Festival
Tel: 44-1484-430 528
Jonathan Burrows Group: three dancers perform new work drawing on music and ideas by Matteo Fargion, Tom Johnson and Kevin Volans; Lawrence Batley Theatre; Nov 24

OPERA
Huddersfield Contemporary Music Festival
Tel: 44-1484-430 528
Opera North: The Nightingale's to Blame. World premiere of a new opera by Simon Holt, based on a play by Lorca, translated by David Johnston. The conductor is Nicholas Kok and the staging is by Martin Duncan; Lawrence Batley Theatre; Nov 21, 22

LONDON

EXHIBITION
Royal Academy of Arts
Tel: 44-171-300 8000
The Au Bak Ling Collection: 100 Masterpieces of Imperial Chinese Ceramics, 12th to 18th Centuries. Includes works from the Song, Yuan, Ming and Qing dynasties, which together provide a remarkable overview of the finest Chinese porcelains ever made; to Dec 20

OPERA
English National Opera, London Coliseum
Tel: 44-171-632 8300
Boris Godunov: by Mussorgsky. Conducted by Paul Daniel in a new staging by Francesca Zambello. John Tomlinson sings the title role; Nov 20, 24

MANCHESTER

CONCERT
Bridgewater Hall
Tel: 44-161-907 9000
Vienna Boys Choir: 500th anniversary concert, featuring works by Mozart, Schubert, Mendelssohn and Brahms; Nov 20

MARTIGNY

EXHIBITIONS
Fondation Pierre Gianadda
www.gianadda.ch/index.html
Paul Gauguin retrospective: organised to mark the gallery's 20th anniversary. More than 100 works have been borrowed from public and private collections from around the world; to Nov 22

MILAN

EXHIBITIONS
Pinacoteca di Brera
La Dama con l'Ermellino: Leonardo da Vinci's 1489 portrait of the young mistress of Ludovico il Moro travels to Italy for the first time since 1800, when it was purchased by the Polish Prince Czartoryski; to Dec 13

MUNICH

CONCERTS
Philharmonie Gasteig
Tel: 49-89-5481 8181
Munich Philharmonic Orchestra: conducted by Zubin Mehta in works by Liszt, Beethoven and Berlioz. With piano soloist Radu Lupu; Nov 21, 23, 24

NEW YORK

CONCERTS
Avery Fisher Hall, Lincoln Center
Tel: 1-212-875 5030
www.lincolncenter.org
New York Philharmonic: conducted by Christian Thielemann in works by W. Schuman and R. Strauss. With cello soloist Carter Brey; Nov 20, Nov 21

OPERA
Metropolitan Opera, Lincoln Center
Tel: 1-212-362 6000
www.metopera.org
● Le Nozze di Figaro: by Mozart. New staging by Jonathan Miller, with designs by Peter Davison. The cast is headed by Felicity Lott, Cecilia Bartoli and Bryn Terfel, and the conductor is James Levine; Nov 21
● Tosca: by Puccini. Nello Santi conducts and the cast includes Maria Guleghina and Richard Leech; Nov 20

PARIS

CONCERTS
Salle Pleyel
Tel: 33-1-4561 6589
Orchestre de Paris: conducted by Frans Brüggen in works by Schumann and Mendelssohn. With violin soloist Thomas Zehetmair; Nov 25, 26

OPERA
Opéra National de Paris, Opéra Bastille
Tel: 33-1-4473 1300
www.opera-de-paris.fr
The Merry Widow: by Franz Lehár. Conducted by Armin Jordan and with a cast including Frederica von Stade and Håkan Hagegard; Nov 21, 23

SAN FRANCISCO

CONCERTS
Davies Symphony Hall
Tel: 1-415-864 6000
www.sfsymphony.org
San Francisco Symphony Orchestra: conducted by Herbert Blomstedt in works by Britten, Beethoven and Hindemith. With violin soloist Frank Peter Zimmermann; Nov 20, 21

OPERA
San Francisco Opera, War Memorial Opera House
Tel: 1-415-864 3330
www.sfopera.com
Norma: by Bellini. Conducted by Patrick Summers in a staging by Andrew Sinclair. The title role is sung by Carol Vaness; Nov 21, Nov 24

WASHINGTON

OPERA
Washington Opera, Kennedy Center
Tel: 1-202-295 2400
www.dc-opera.org
Fedora: by Giordano. Conducted by Roberto Abbado in a production by Lamberto Puggelli, directed here by David Edwards. The cast is led by Mirella Freni and Placido Domingo; Nov 20

■ TV AND RADIO

● WORLD SERVICE
BBC World Service radio for Europe can be received in western Europe on medium wave 648 KHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

● CNN International
Monday to Friday, GMT:
06.30: *Moneyline with Lou Dobbs*
13.30: *Business Asia*
19.30: *World Business Today*
22.00: *World Business Today Update*

● Business/Market Reports: 05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20; 14:20.

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

PHILIP STEPHENS

Divided alliance

The stand-off with Saddam Hussein highlighted divisions between the US and Europe over Nato's role

We can laud or lament the fracturing of the coalition against Saddam Hussein. There will be another opportunity soon enough to debate the merits of bombing Iraq. But wherever one stands on how best to treat with Baghdad, recent events have exposed a disturbing truth. The isolation of the US and Britain in their willingness to go to war against Iraq attests to a deeper disarray in the western alliance.

Ever since the Wall came down we have been assured that the US and Europe were crafting a new transatlantic security system. The rhetoric has it that Nato may have been robbed of its Soviet adversary, but it is still a vital guarantor of the west's security. It is reinventing itself in a world in which Soviet missiles have been replaced by new threats from resurgent nationalism, rapacious tyrants and the proliferation of weapons of mass destruction. This new "strategic concept" would be unveiled next April at the celebrations in Washington of Nato's 50th anniversary.

The reality turns up an alliance profoundly divided as to its strategic purpose. Its Anglo-Saxon axis rests on an impulse for action. Bill Clinton and Tony Blair alike see the capacity to project force beyond Nato's frontiers as the *sine qua non* of effective security. In the words of one senior US administration figure after the bombers turned back from Baghdad, the two leaders' common cause against Mr Saddam had been "as close as is conceivable".

Elsewhere in Nato we see resentment and frustration. The resentment, and it is not confined to France, speaks against US hegemony of the alliance. The frustration reflects a lack of will and of means to challenge the status quo – and directs itself towards a British prime minister who speaks of his ambition to build a new European defence identity and yet never once wavers in his loyalty to Washington.

It will be some time yet before the full story of events last weekend is told. Suffice it to say that had the cruise missiles and bombs rained down on Iraq, the rupture within Nato might have been as serious as any since De Gaulle expelled that organisation from Paris.

Reaction across continental Europe would have ranged from the outright hostility of France to dismay in Italy and, perhaps, reluctant acquiescence in Germany. The Europeans, though, are not alone in their resentments. I have the strong impression that some senior US officials consider that, for all its firm opposition to the use of force against Mr Saddam, Russia played a straighter game during the crisis than one or two of Washington's European allies.

Yet neither side, Anglo-Saxons or continental Europeans (and we should recognise this latter grouping is not homogeneous) will admit that these deep currents of discord have wider implications for the future of Nato. Iraq, some will say, is a special case. There is a genuine difference of opinion with Messrs Clinton and Blair about the most effective way of containing the Baghdad regime. And history and geography (we might also add commerce) dictate that opinion in, say, Paris and Rome, is more sensitive to the mood in the wider Arab world.

Look, these optimists continue, at the way the 16 Nato countries acted in unison only two months ago to avert a humanitarian crisis in Kosovo. And is not the alliance still keeping the peace in Bosnia?

These pleas in mitigation are accompanied by the list of initiatives Nato has taken to expand its influence and its remit. The alliance is enlarging to the east. Poland, Hungary and the Czech Republic will be be admitted as members at the Washington meeting. The Partnership for Peace programme has created a dialogue with more than two dozen neutral and former Warsaw Pact nations. A "Founding Act" signed with Russia has given Moscow a voice, though not a veto, in Nato. And in Berlin two years ago, it was agreed that, wherever possible, governments would pursue common security objectives through the alliance.

But there lies the rub. There is scant agreement on what these objectives are – and even less on the division of responsibility between the US and its European allies. The former communist states aside (and there is ample disagreement about the rationale for enlargement) the Clinton administration wants to extend Nato's sphere of influence eastwards and southwards. In Madelaine Albright's words, it would become "a force for peace from the Middle East to Central Africa".

Here, alarm bells ring in much of Europe. It is one thing to identify instability on the continent's southern and eastern flanks as a threat to western security. Quite another to suggest that Nato members should commit themselves to safeguarding Gulf oil supplies, to imposing order in the Caucasus, or responding to any perceived threat from Islamic fundamentalism in Algeria. Should not, on these terms, the alliance appoint itself guardian of the Middle East peace process?

The change in Nato's role from a defensive to an interventionist force thus opens a second divide. Washington insists that there are no external restraints on its freedom to act. In spite of the recent precedent established in Kosovo, France, Italy, Germany and others are unpersuaded that the world's most powerful military alliance can operate outside the wider international community.

Behind such discord lies the deeper transatlantic suspicion. Europe says it wants an equal partnership. It is fed up with Washington's script. It has its own strategic vision. Defence, it promises, will soon be wrapped into the European Union's common foreign and security policy. Yet the fine words are unmatched by hard cash. Europe preens itself as an economic superpower. It will not spend the money needed to become a military one.

The ambivalence is mirrored in Washington. The Clinton administration says it wants Europe to stand on its own two feet, to carry a fairer share of the security burden. Yet it throws up its hands in horror at the idea of a European caucus within Nato. That, after all, would challenge US leadership.

As for Mr Blair, so far he has straddled the divide by framing his ambitions in the most general of terms. I am told that the US awaits with some eagerness a detailed exposition of how he reconciles a more powerful European voice with Britain's traditional transatlantic loyalties.

Nato diplomats assure us that these are all circles which can be squared. Even now they are crafting the ambiguous phrases which will lie at the heart of next April's communiqué. But they will not disguise the fact that having lost an empire Nato has so far failed to find a role. In the meantime, Washington calls the shots.

LETTERS TO THE EDITOR

Challenge to UK's progressive dividend convention draws a mixed response

From Mr Kenneth R. Wade.

Sir, While I agree with the Lex column on "Dividend policy" (November 9) that platitudinous references to progressive dividend policies are poor substitutes for greater flexibility and transparency, a general trend away from dividends is not entirely to be welcomed. The dividend stream is a stable source of return, allowing long-term investors to be relatively relaxed in the face of a volatile market.

Over the past 80 years or so, the standard deviation of equity capital returns has been around 2.5 times that of equity income returns (BZW Equity Gilt Study, 1997). Over that time, dividends have tracked the growth in gross domestic product reasonably well (as might be expected under "last year's and add a bit" policies), while capital values have departed significantly from trend for quite long periods. On this basis, dividends represent a more stable guide to company values than stock prices.

It is eminently sensible for growing companies to invest in profitable opportunities within their sphere of competence rather than return the cash to investors. However, companies that have reached maturity arguably should be encouraged to pursue progressive dividend policies that reward long-term shareholders, serve to stabilise returns, and thus maintain the risk premium for equities below that which must apply if returns can only be obtained through the market. It is a pity that the government does not take the same view.

Kenneth R. Wade,
doctoral programme,
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Manchester M15 6PB, UK

From Sir Gerald Elliott.

Sir, I find the arguments of Lex (November 9) against the steady payment of dividends by UK companies peculiarly perverse. If institutions run a policy of ignoring dividends, relying for returns on gambling a company's value on the stock exchange, plus the occasional raid on its reserves to provide a cash pay-out, they will surely not satisfy their clients for long particularly when they discover that markets go down as well as up. Those who invested in Japan 10 years ago know the scene – half their capital gone and no dividends to compensate.

I note that Lex has also invented a new theory of shareholder value. The current "sceptical" theory is that boards cannot be trusted to invest their shareholders' money and should give it back. The new "gung-ho" theory preaches the opposite. Boards should invest up to the hilt, leaving shareholders to whistle for their dividends. Take your choice.

Gerald Elliott,
8 Howe Street,
Edinburgh EH3 6TD, UK

From Mr Roland C. Shaw.

Sir, The Lex note on dividend policy (November 9) is spot on.

But it does not consider an alternative means of rewarding shareholders and of underlining capital growth. This is the issue of bonus shares to the shareholders through a capitalisation issue.

I did this for a number of years at Premier Consolidated Oilfields (now Premier Oil) on the basis of one new share for every 10 held. Consequently shareholders doubled their shareholding in eight years and made substantial gains.

This was simply a dilution of the capital and consequently no income tax was applicable to the new shares issued. Of course, my analyst friends pointed out there was no benefit to shareholders since the jobbers would automatically mark down the share price to reflect the dilution.

But the market, not being as intelligent as the analysts, marked the shares down the first day of trading but brought them back to the previous price within a week.

This seemed to me a tangible way of demonstrating capital growth. Shareholders needing cash could easily sell the bonus shares and probably minimise the tax impact.

My successors instituted a cash dividend policy without any noticeable improvement in the share price.

Roland C. Shaw,
chairman,
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Aid through non-government bodies would allow the west to help the poor as well as the pure

From Mr Kenny Bell.

Sir, Martin Wolf's article "Aid, hope and charity" (November 11) suggests giving aid mainly to "good policy" countries. The World Bank's argument is a curious echo of nearly 20 years ago, when radicals argued that not the poor but the pure – such as Cuba and Nicaragua – should be the focus of aid.

Aid goes not only to governments but also to many other organisations and community groups. Even in a "bad policy" country, such aid may benefit vulnerable groups, as well as provide an example for government. Through such co-operation, civil organisations can grow, giving a voice to the marginalised and perhaps, in the long term, altering the balance of power in government.

Neither are governments monoliths. Donors favour particular departments or ministries that are more responsive to their social and economic objectives. Such aid may provide an incentive, influencing the internal debate and giving support to reformers.

Whether a set of "good policies" can be easily identified and applied around the world is also doubtful. The International Monetary Fund's standard injunctions are under fire. There is no reason to think donors could agree on a universally applicable set of criteria.

Donors must spend time to understand not only the conditions of each country but the many partners they can choose to help bring benefits to the needy. Blanket remedies – or ignoring the poor because government policy doesn't match the prescription – won't do.

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PERSONAL VIEW C. FRED BERGSTEN

How to target exchange rates

G7 countries should allow their currencies to fluctuate within agreed EMS-style ranges

In its recent statement on reforming the world's financial architecture the Group of Seven largest industrial economies entirely ignored exchange-rate relationships among its own currencies.

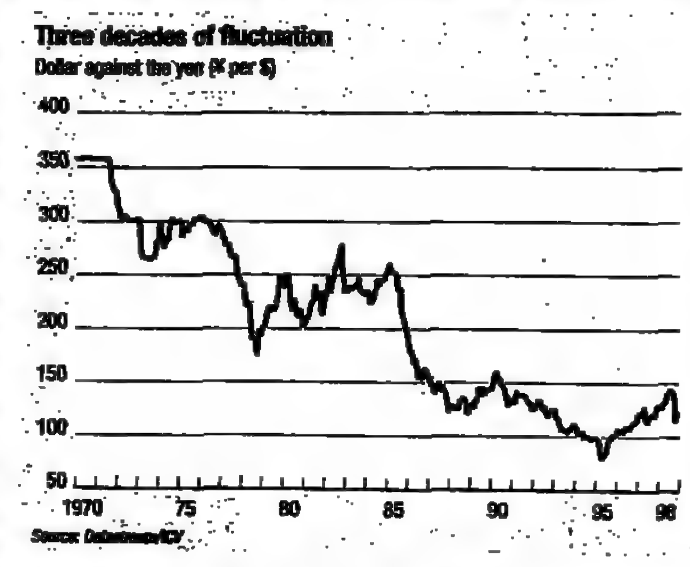
This omission would be understandable if the behaviour of G7 exchange rates had had much connection with underlying changes. But G7 currency gyrations in recent years have far exceeded any conceivable shifts in economic fundamentals. The dollar rose by 80 per cent against the yen and 40 per cent against the D-Mark from early 1995 to mid-1998 and late 1997 respectively. One result is that trade deficits in the US are at record levels, generating strong protectionist pressures despite a 25-year low in the US unemployment rate. Another is that the Asian crisis is intensifying: every 10 per cent decline of the yen takes $20bn off the trade balances of the rest of Asia. The sharp swings in the yen-dollar rate contributed to the outbreak of the Asian crisis in the first place. Most recently, the yen jumped by almost 20 per cent in just a few days last month.

The instability of the dollar, yen and European currencies is likely to worsen with the creation of the euro. The euro-zone will resemble the US: a continental economy with modest reliance on external trade. It will be tempted to emulate America's tradition of benign neglect of the currency. This is especially true in light of the European Central Bank's mandate to focus on price stability, which implies the absence of any explicit policy towards the exchange rate. The dollar and euro will provide the bulk of global finance, and large fluctuations between them will be highly disruptive for the rest of the world.

Indeed, in the short run, large shifts from the dollar into the euro could produce an overshooting of the new currency, triggering more unemployment in Europe and renewed inflationary pressure in the US. So the absence of an agreed framework to manage currency relationships could be costly on both sides of the Atlantic.

Three decades of fluctuation

Dollar against the yen (¥ per $)



Source: Datastream/ICV

Hence it is fortunate that the new German government has launched an initiative to achieve "controlled flexibility" of the yen, dollar and euro. Gerhard Schröder, chancellor, and Oskar Lafontaine, finance minister, are surely correct that both rigidly fixed and freely flexible exchange rates have been tried and found wanting. Fixed rates, unless carried to the extreme of monetary union, as in Europe, or a currency board, as in Argentina or Hong Kong, have proved too prone to degenerate into costly over- and undervaluations. Flexible rates tend to overshoot wildly and generate equally disruptive misalignments.

The goal of currency reform should be a "third way" between these two extremes. For the G7 this goal can best be pursued by maintaining substantial flexibility but modifying the method by which it is managed. For the past decade, the G7 has intervened periodically on an *ad hoc* basis without prior announcement. This technique has the advantage of surprising the market, and has frequently succeeded (for example, to defend the dollar in 1995 and to defend the yen in 1998). However, the interventions have always come long after misalignments have set in and severe economic damage has resulted. The absence of official guidance has left, indeed led, the markets to drive rates far from their long-term equilibrium levels.

A better approach would be to announce limits on the extent of permissible swings, starting perhaps as much as 15 per cent on either side of agreed currency mid-points (as in the present European Monetary System). Rates would still float virtually all the time, as in the EMS. Any long-term disequilibria would be avoided by adjusting the ranges by very small amounts, which would be necessary to offset inflation differentials among the participants.

Within the wide limits envisaged, the G7 governments could surely agree on ranges that reflect underlying economic reality and are credible to the markets. Private speculation would then become stabilising rather than destabilising. As a rate approached the edge of a range, little money would be made by pushing further in the same direction because the markets would know that the authorities would not permit the limits to be breached. In contrast, considerable profit could result from reversing the rate back towards (or beyond) the mid-points. Both theory and empirical evidence from similar regimes that have already existed, such as the EMS since 1993, demonstrate that such "mean reversion" can be expected with some confidence.

Nevertheless, a rate might occasionally reach its limit and require official response. The initial instrument would be direct intervention in the foreign exchange market by the central banks. To assure credibility, however, participants would have to be prepared to alter their monetary policies to defend the ranges. In such instances, as Paul Volcker, the former US Federal Reserve chairman, has argued for the US, a country's long-term economic health would almost certainly be promoted rather than undermined by heeding the signal from the currency markets. With wide margins and credible national policies, however, the need actually to change monetary policy for currency reasons would probably be quite rare.

Similar considerations apply to emerging market economies. The Asians' dollar pegs led to substantial overvaluations and large trade deficits. Their subsequent resort to free-floating regimes produced wildly excessive depreciations that forced them to deploy sky-high interest rates, further weakening their banks deepening their recessions. They too should consider intermediate currency regimes, perhaps based on a common link to a trade-weighted basket of G7 currencies. Colombia, Chile and a number of other countries have used such systems successfully in the past.

G7 officials will meet this weekend in Washington to discuss the international financial architecture. They should fill the "currency vacuum" as soon as possible, both to avoid damage to their own economies and to fulfil their responsibility for imparting stability to the global system as a whole.

The author is director of the Institute of International Economics in Washington.

COMMENT & ANALYSIS

FINANCIAL TIMES

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Friday November 20 1998

Ganging up in European stocks

The London and Frankfurt stock exchanges are in the happy position of schoolyard children holding a large new bag of candy: suddenly, everyone wants to be in their gang.

On Wednesday the Madrid and Milan bourses said they want to join the Anglo-German link-up announced in July. Yesterday Paris, which was furious when it was sidelined by that agreement, indicated that it wanted to join the party too. It will host a meeting of bourses next week to discuss a pan-European exchange.

One one level, this is very welcome. London and Frankfurt always saw their alliance as the first step towards a pan-European market in blue chips, offering greater liquidity, reduced transaction costs and a lower cost of corporate capital. Even more desirable, from the viewpoint of competition, would be two or more well-regulated, rival pan-European exchanges.

But the sudden enthusiasm also contains great dangers. Rapid attempts to enlarge the London-Frankfurt venture could lead to the kind of dead-end stalemate so common among squabbling European nations.

London and Frankfurt are finding it extremely complex to put just their two operations together. Adding other exchanges at this stage, with their widely differing rule books, risks making a hard task impossible.

There would also be immense political and nationalistic strains as the parties jostled over the allocation of the new business's capital and revenues.

It is important, then, that London and Frankfurt, the two largest exchanges in Europe, are not distracted by their new friends. They should press ahead with their three-stage plan. First, they intend to have a single point of liquidity for stocks from January, which means London will stop trading German stocks and vice versa. By itself, this would be a retrograde step. It must immediately be followed, therefore, with the next elements in the plan: harmonisation of market rules and accounting standards and construction of a single electronic trading system.

They must pursue parallel discussions with other exchanges about widening the alliance when feasible, and should take no action that precludes this. The Paris meeting could help here, if it starts serious debate on Europe-wide harmonisation of rules, trading and settlement.

Discussion is also needed on the regulation of a pan-European market, which has no obvious jurisdictional home. Nor should the debate ignore the capital raising needs of smaller companies which will not be quoted on the blue-chip exchange.

But above all, London and Frankfurt must not lose their momentum. Offering to share sweets may win friends, but motley gangs need strong leadership to get results.

Soldiers' duty

The renewed violence on the streets of Jakarta in recent days comes at an acutely sensitive moment in Indonesia's attempt to introduce real democracy and stabilise its economy. At least 14 people have been killed, and scores wounded, in clashes between students, the security forces, and armed civilians. B.J. Habibie, the president, warned yesterday that the country was facing destruction through ethnic conflict.

The Indonesian military stands accused of deliberately allowing the violence to escalate. It has given the impression of pursuing its own political ends by allowing groups of armed government supporters to attack the students, and responding to the resulting disorder with excessive force. There are suspicions that the soldiers want to demonstrate what havoc would ensue if their role as a unifying force in the country were questioned.

Indonesia's generals risk undermining a fragile democratic process. The country's top legislative body is embroiled in a debate on a new electoral system, under which the military's guaranteed seats in parliament would be reduced. Following general elections next spring, a new assembly is due to elect a successor to Mr Habibie.

The president, tainted by his reputation as the chosen successor of former President Suharto, lacks strong support. But the multiple opposition parties are divided. The lack of a consensus opposition candidate is one of the main things still keeping Mr Habibie in power. That leaves government in a dangerous vacuum, struggling to deal with the social disruption caused by last year's economic collapse.

Clearly, the military is needed to maintain order in the absence of any other institution capable of doing so. But the generals must be careful not to go too far. They should restrict themselves to ensuring that the democratic process goes ahead as planned. Fair and transparent elections, leading to the formation of a government with a clear mandate and policies, are prerequisites for the return to a fully functioning economy. And that in turn is necessary for the fresh inflow of foreign investment that Indonesia so badly needs.

The stabilisation of the economy in recent months has been remarkable, culminating in a new agreement with the International Monetary Fund last week. Modest growth could resume by mid-1999. But that still depends on political stability, without which the rupiah may well tumble again. Mr Habibie's greatest contribution must be to stick to his timetable for the handover, while the generals act as even-handed guarantors of the process.

Offshore verdict

There is a widespread suspicion that offshore financial centres provide a welcoming environment for shady dealing and financial crime. In the case of the Channel Islands and the Isle of Man such suspicions have not been dispelled by the uncovering of regulatory weaknesses in the BCCI, Barings and Cantrade scandals.

The British government's review of financial regulation in the Crown dependencies, conducted by former Treasury official Andrew Edwards, nonetheless concludes that the islands are in the top division of offshore financial centres. Regulation of financial institutions is, according to the report, generally good. And the islands are firmly committed, says Mr Edwards, to combatting crime and to co-operating fully with other jurisdictions. How can this charitable view be squared with the scandals?

The verdict is, of course, relative. It would be disturbing indeed if the islands did not stand out in very mixed offshore company. All the more so, given that while the islands are not part of the European Union, the Crown is ultimately responsible for good government there. The scope for them to embarrass Britain within Europe is not negligible.

Moreover, a plethora of recommendations by Mr Edwards in such basic areas as the publication of accounts, the abuse of nominee directorships and the confidential disclosure of beneficial ownership, suggests that past practice fell some way short of perfection. The question is, to what standards should the islands aspire?

The difficulty in answering this lies in the inherent conflict of interest between the need to attract business and the need for honest and orderly markets. Mr Edwards strikes a defensible balance in arguing that the islands' regulatory authorities might reasonably be expected to have regard to economic interests, but should not compromise their impartiality by directly promoting them.

Rather, the guiding principle of regulation should be the protection of customers. And it is encouraging that the islands have committed themselves to being the best regulated offshore centres, while fully co-operating with overseas authorities. Progress has been made since the scandals.

If the conclusions of the report appear generous to the islands, that may partly reflect a well-judged desire to sugar the pill in a sensitive area. Financial services are a vital component of the islands' income. Mr Edwards' proposals make sound, practical sense, while his conciliatory approach should enhance the likelihood of their rapid adoption.

Germany's new shop window

Corporate change in Germany lies behind the wave of pan-European restructuring, says Graham Bowley

A Munich-based conglomerate is in merger talks with a Swiss one. A Frankfurt chemicals company splits itself up and is said to be in talks to create one of the world's biggest life-sciences company. A newly merged car giant makes its debut on the New York stock exchange. Plans to create a pan-European stock exchange take a big step forward when the Madrid and Milan bourses say they want to join an alliance between London and Frankfurt.

All that in one week. A wave of mergers, restructurings, divestments and alliances is sweeping across Europe. Behind it lies the accelerating industrial transformation of Germany, Europe's biggest economy.

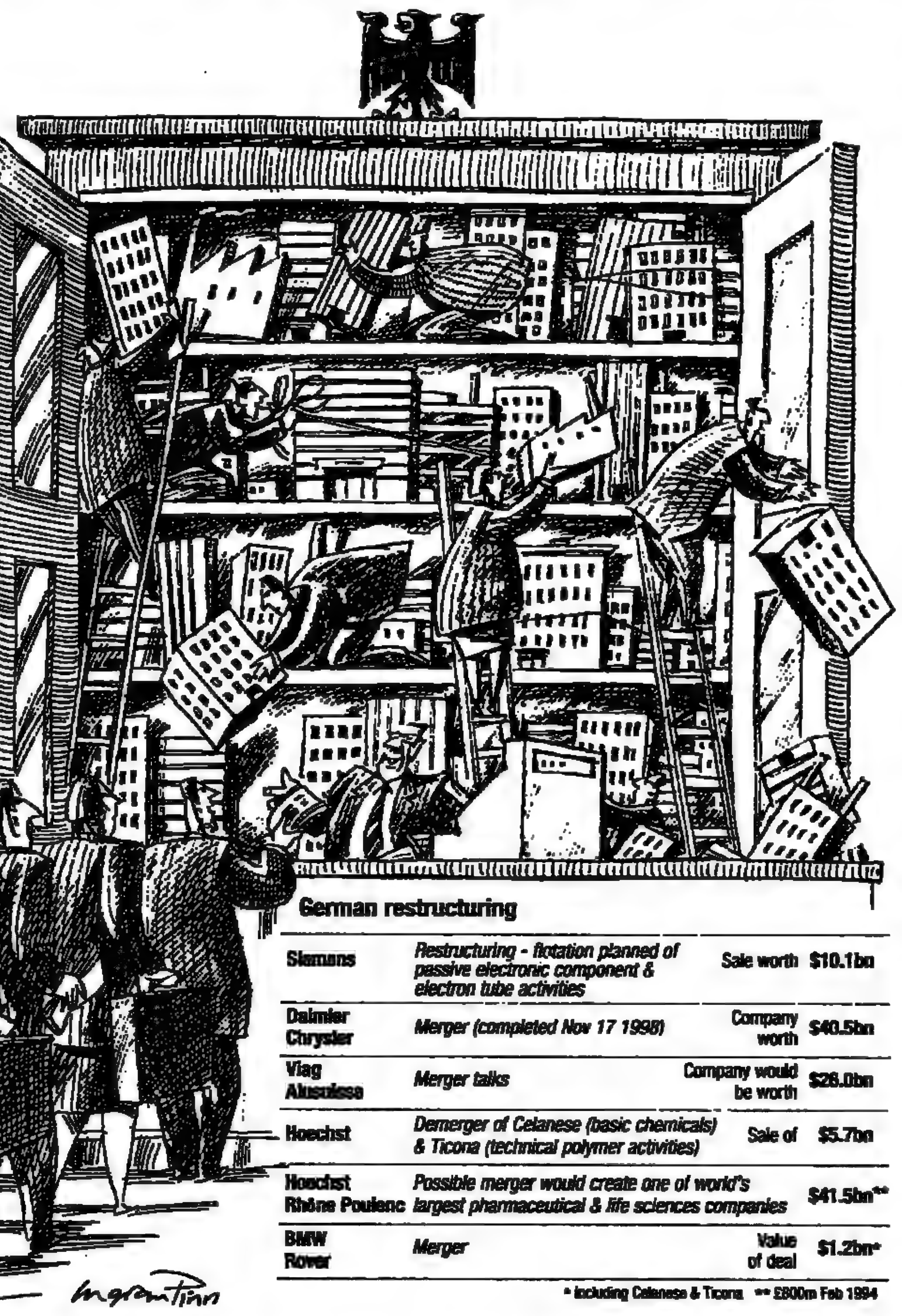
Within companies, managers have unleashed a revolution in the workplace by breaking down old-style, inflexible working practices to cut costs and boost productivity. On a larger scale, the restructuring has involved the re-orientation of some of Germany's biggest industrial empires as companies have sought both economies of scale and a simpler structure that is more presentable to modern shareholders. By embarking on such a transformation, corporate Germany has jolted the country's traditional cosy relationship between labour and capital. And it is doing much to throw off the image of a conservative nation more concerned with retaining the comfortable vestiges of its post-war social-market economy than with modernising to compete in a global economy.

The latest period of restructuring began early this month with the announcement by Siemens, Germany's biggest electronics group, that it planned to sell around one-seventh of its businesses, with sales of about DM17bn ($10.1bn). The centrepiece of the disposal programme was the sale of its semiconductor business. This disposal, though large, may be only the beginning of a more radical deconstruction of Siemens' ailing empire.

Next came Viag, a Munich-based industrial conglomerate. After only four months into office, Wilhelm Simson, Viag's new chief executive, revealed that the company would sell its logistics and other smaller activities (with one-third of group revenues) in order to focus on its main businesses: power, telecommunications and industrial interests. Then this week, Viag disclosed it was in merger talks with Alusuisse-Lonza, the Swiss aluminium, chemicals and packaging group. A full-blown merger, one of several different options being discussed, would create a company with a market capitalisation of $26bn.

Attention then switched to Metro, Europe's biggest retailer. The Cologne-based group announced it would sell or float much of its German computer, food and clothing shopping outlets, with sales of around DM16bn. It wanted to focus building a European cash-and-carry empire after its takeover last year of the Makro cash-and-carry chain of the Netherlands. Its unwanted activities were hived off into an independent holding company to be dismantled by Deutsche Bank.

The last piece of news was supplied this week by Hoechst, the chemicals and pharmaceuticals group. Hoechst said it would split itself into two, jettisoning most of its remaining industrial chemicals companies in order to speed its transformation into a company focused on pharmaceuticals and agrochemicals.



German restructuring

Siemens	Restructuring - flotation planned of passive electronic component & electron tube activities	Sale worth	$10.1bn
Daimler Chrysler	Merger (completed Nov 17 1998)	Company worth	$40.5bn
Viag Alusuisse	Merger talks	Company would be worth	$26.0bn
Hoechst	Demerger of Celanese (basic chemicals) & Ticona (technical polymer activities)	Sale of	$5.7bn
Hoechst Rhône Poulenc	Possible merger would create one of world's largest pharmaceutical & life sciences companies		$41.5bn**
BMW Rover	Merger	Value of deal	$1.2bn*

* Including Celanese & Ticona ** £800m Feb 1994

This was, said Jürgen Dormann, Hoechst's chief executive, the biggest demerger in German history. But even this event was overshadowed by a revelation that Hoechst was in secret talks with Rhône-Poulenc, the French chemicals and pharmaceuticals group. Both companies have declined to confirm the talks, but if negotiations were successful the merger would create one of the biggest life-sciences group in the world.

This burst of activity is taking German restructuring to a new level. There have been spectacular examples of corporate change in individual companies before. What is different this time is that corporate change is spreading into new areas – such as retailing and electronics. As companies and sectors that have so far lagged behind are catching up, change in Germany may also be achieving a sort of critical mass.

To grasp the scale of transformation, it is necessary to understand what lies behind it. Perhaps the biggest revolution has taken place within Germany's factories, where companies have introduced an array of flexible working practices that would have been unthinkable a decade ago. Workers, especially in the engineering and car industries, have accepted longer working hours and more varied shift patterns. Several companies now use "credit time accounts" which allow managers to increase working hours during periods of strong demand, in return for time off later in the year. "Six years ago, the Japanese auto industry was the benchmark, then it was the US auto sector that restructured, and now today we are on top," says the chief economist of one German car group.

One change that has made this possible has been the partial breakdown of Germany's industry-wide wage agreements. Traditionally, companies were bound by strict wage deals between unions and employer organisations that covered several sectors at once (so that, for example, computer engineers and shipbuilders both got the same pay rise). Now companies have won some freedom to strike individual deals.

This breakdown has been most pronounced in east Germany, where unemployment is high. But it has been gradually imported to the west. One result has been to encourage corporate change: executives have less reason to fear that restructuring will be stymied by intransigent working practices.

Beyond the factory floor, companies have plunged into a wider reorganisation of their activities. Having dismantled its high-tech empire in the early 1990s to focus on cars, Daimler Benz capped its reorganisation by merging with Chrysler, the US car group (the merged company had it stock market debt this week).

Early last year Krupp sent shudders through corporate Germany when the engineering and steel group launched a hostile takeover bid, rare in consensus-minded Germany, for Thyssen, its bigger rival. This showed the process of change is hardly painless. The move triggered worker protests against Krupp and recriminations against the banks that had acted for it – but the merger is going ahead anyway, albeit in a different form. Hoechst's reorganisation was no less controversial, leading to public vilification of the boss. "Dormann is chopping up Hoechst AG!" screamed Bild, the mass-market newspaper, this week.

There are two broad explanations for general process of the restructuring. One is that, in response to increasing international competition in product markets, companies have had to cut costs and lop off parts of their industrial empires to focus on core products. In the case of Hoechst, this is life sciences; for Metro, it is mainly cash-and-carry stores.

The second explanation has to do with competition for capital. Germany's traditional sources of capital, the big commercial banks, are either reducing their industrial holdings or demanding higher returns on the stakes that they retain. This is happening at a time when a Europe-wide single capital market is coming ever closer – as evinced by the movement towards a pan-European stock exchange.

Companies are therefore having to turn to international capital markets to an unprecedented degree. In the past few years Daimler, Deutsche Telekom and Hoechst have all converted their accounts to the more transparent US GAAP rules and listed their shares on the New York Stock Exchange. "Companies are now willing to spend time and effort talking to investors. They are worried, and they know if there was a fierce fight for capital they need good relations," says Bernd Janssen at Warburg Dillon Read in Frankfurt.

These forces have been building up for a while. What lies behind the current round of restructuring?

- Most, obviously, the imminent launch of the euro in January may be producing a sort of "last call" for companies which want to push forward with their internationalisation before the single currency starts. "There is imminent restructuring which will strengthen European competitiveness especially against the background of the single currency. We in Europe have to be strong in order to hold our own at the international level," says Mr Dormann.
- The modest revival in in world stock markets since the summer slump may have encouraged companies to return to the merger business. The recovery in prices makes mergers easier since when prices are falling prices, merger plans are often judged unfavourably by investors. At the same time time, some German managers are now personally keen not to do anything that will hurt share prices because of their own stock option programmes. These are an innovation in Germany and are still only used by a handful of companies.
- Because investors have become more risk-averse in the wake of the Asian and Russian financial crises, there has been a "flight to quality" in stable markets such as Germany. That may have made it easier for some companies' to take their restructuring plans to market.
- In addition, it is only now that the full impact of the Asian crisis is becoming evident. For example, the Asian-related collapse in semiconductor prices lay behind Siemens' decision to sell its chip business.

The importance of all these changes goes far beyond Germany. Crucially for Europe, the continent's biggest economy is restructuring to become more efficient and competitive. The evidence from the labour market suggest the changes reflect a broader social transformation, with a wider acceptance of more open, market-orientated and flexible working practices.

There is almost certainly more restructuring to come, in chemicals, in the car industry (Volkswagen and BMW are said to be candidates for co-operation either with each other or with a foreign car company) and in banking, with Deutsche Bank, Germany's biggest, already in talks with Bankers Trust of the US.

Many people thought the recent election of the Social Democrat-led government marked a shift at Europe's centre towards greater bureaucracy, more intervention in markets and more anti-business policies. To judge by the corporate sector, the real picture in Germany is very different.

OBSERVER

Scion of the times

The decision is still six months off, but there's much intrigue in Greece's Socialist party about the country's next European Union commissioner. It certainly won't be the incumbent Christos Papoutsis, who has been much too critical of his party colleagues back home in Athens.

The front-runner, according to Socialist insiders, is George Papandreou, the son of the late prime minister Andreas. Unlike his populist dad, he's a soft-spoken consensus seeker. As junior foreign minister he keeps Euro-capitals sweet by smoothing ruffled feathers after the regular undiplomatic outbursts by Theodore Pangalos, his boss.

Papandreou studied at the London School of Economics and taught in Sweden – where he lived as a teenager after the colonels' junta booted the Papandreou family into exile. He keeps a low profile in Athens, but has considerable clout among the Socialist old guard.

The other names in the frame are finance undersecretary Nikos Christodoulakis and industry undersecretary Anna Diamantopoulou.

But Christodoulakis has his work cut out pruning the public debt to squeeze Greece into the euro in 2001. Diamantopoulou is keen to acquire some European polish – but there aren't many bright women Socialists around and the government can't afford to spare one.

High finance

There were sighs of relief in Munich yesterday when the Bavarian government said it had found an investor for a 106-hectare mountain retreat, high on the slopes of the 6,000 ft Obersalzberg at Berchtesgaden.

On the face of it, it wasn't a tough deal. The view is splendid, the clean mountain air is bracing and the local food and beer is deliciously hearty.

The one snag is that Adolf Hitler used the place as his summer retreat.

Understandably the authorities were worried that the connection to the former dictator would attract the wrong sort of visitor. Since the US Army left the place in 1995, it has become a magnet for neo-Nazi skinheads, even though the Allies razed Hitler's hideout.

So the the developer, whose identity and plans will be revealed today, won't have complete control of the site. The Bavarian government is hanging on to the freehold.

Russian roulette

As they start to embrace economic reform, the Vietnamese are trying to cultivate the image of being tough people to do business with. Last night they seem to have met their match.

In the august French colonial surroundings of the government guest house in Hanoi, deputy prime minister Ngo Xuan Loc, two other ministers and various fully-paid-up members of the great and good had gathered to witness the signing of an $800m joint venture agreement to build the country's first oil refinery.

But Loc and his colleagues had to make small talk for almost an hour and a half while the deal, with Russia's state-owned oil company Zarubezhneft apparently hung in the balance.

"The Russians looked at the final version of the contract and said *Nyet*, said one source involved in the last-minute flurry of negotiations. By the time the Russians said *Da*, at least half of the assembled crowd had drifted off in search of dinner.

The project is supposed to be on stream by 2003. Let's hope the oil flows more smoothly than the signing ceremony.

Red-hot iron

Brussels is long on influence but short of landmarks. Its one instantly recognisable feature is the Atomium, that curious hotch-potch of nine silver spheres connected by tubes.

The 102 metre structure – built for the 1958 World Fair to represent an iron molecule – still looks all right from a distance. But up close it's rusty and decrepit. Inside, some lifts and escalators don't work, the lighting isn't reliable and the displays are uninspiring.

Any chance of public subsidies to foot the $17.6m repair bill has been lost in bickering between national and local authorities. So, to the noisy disappointment of the Atomium's management, a corporate sponsorship deal has been done.

The UK's Virgin group, headed by bearded balloonist Richard Branson, will fix up the Atomium and paint it with the red and silver livery and logo of his low-cost airline Virgin Express, headquartered at Brussels Airport.

So from 2001, the chief landmark of the city at the core of the European Union will promote the cheapest and quickest way of getting out of the place.

Bite the ballot

It looks like some candidates in the upcoming local elections in St Petersburg are trying a new wheeze to do down the opposition. The trick is to find someone with the same name as a rival candidate and pay him or her to stand in the polls, thus creating enough confusion to split the opponent's vote.

At least it's cheaper than bribing voters – and gentler than more traditional tricks like beating up rival supporters, and even killing the candidates.

The Financial Times

50 years ago

Empire Critics Scorned
Glasgow, Nov 19. Groaning pessimists and propagandists who sought to separate the members of the British Commonwealth were stoutly criticised to-day by the Rt. Hon. R.G. Menzies, former Australian Prime Minister, when he addressed a luncheon meeting of several hundred Glasgow businessmen under the auspices of the Empire Industries Association. Mr. Menzies said that the real danger to the British Empire to-day was not the enemies from outside but from within. The British Empire had within itself the powers, resources and possibilities which could easily make the next century of her existence immeasurably more spectacular than the one that had gone.

Ontario Electricity Shortage
Ottawa, Nov. 19. Canadian manufacturers fear the shortage of electric power in Ontario will result in a serious curtailment of production and a reduction in goods available for shipment to dollar countries, besides dislocating the labour market and detrimentally affecting costs with a possible increase in price levels.

FINANCIAL TIMES

FRIDAY NOVEMBER 20 1998

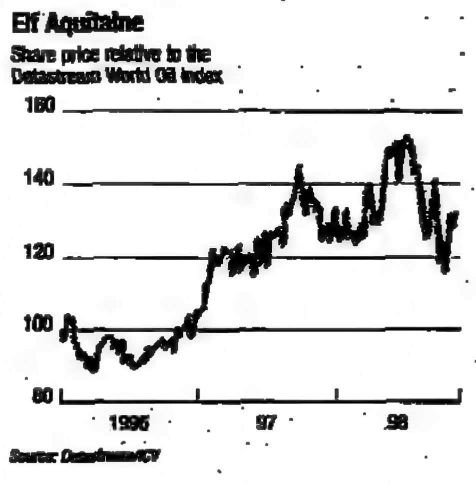
THE LEX COLUMN

Elf help

Is Elf poised to break out of its longstanding strategic logjam? Rumours linking Sanofi, Elf's 54 per cent-owned drugs arm, with French rival Synthélabo and Elf itself with Petrofina of Belgium offer a tantalising hope.

While Philippe Jaffré, chairman, has worked hard operationally, transforming an unwieldy giant into something resembling an efficient, modern company, progress on bigger, corporate questions has been limited. It is nearly two years since Mr Jaffré indicated he was ready to sell part of the Sanofi holding. More recently, the suspicion is that Elf tried and failed to negotiate a takeover of Conoco, DuPont's oil subsidiary. The impression of a company strategically becalmed has been accentuated by the BP-Amoco merger and the fact that the French state's golden share makes Elf an unlikely takeover target.

Of course, Elf should not do deals for their own sake. A tie-up with Petrofina could make sense, with the opportunity to exploit genuine economies of scale in both downstream activities and chemicals. The logic of a Sanofi-Synthélabo merger is more doubtful. This would leave Elf with about 36 per cent of a group still well short of the scale of the industry giants. With job cuts politically tough, it is by no means clear that synergies would be achievable. A better course might be to sell Elf's entire stake to the highest bidder. If this means Mr Jaffré has to ride roughshod over the wishes of Jean-François Dehecq, the Sanofi chairman, so be it.



EU tax harmonisation

Britain is right not to go soft on tax harmonisation to buy popularity in the euro club. The UK economy has benefited from a relatively low tax regime. But as the country pursues late entry into economic and monetary union, there is a risk of being "harmonised" upwards.

Much has been made of the threat to the London-based eurobond market from the European Commission's proposal for a 20 per cent withholding tax on interest income. But an even bigger issue is the move to restrict member states competing on corporation tax.

If business is to thrive, the lower the tax rate the better. Hence the importance of healthy rivalry between nations. Britain's government has rightly gained credit for cutting the UK rate to 30 per cent. In France, for instance, such "competition" has encouraged a cut to 40 per cent. With the single currency making cross-border comparison easier, downward pressure on rates throughout the euro-zone are in prospect – unless the harmonisers step in.

This is not to condone piecemeal tax breaks to favoured industries, which amounts to state aid. But the Irish response to such a complaint about its 10 per cent Dublin docks rate was spot on – an eventual uniform rate of 12½ per cent. Tax is, of course, only one factor determining where a company locates. And such trends take a long time to gather momentum: long enough for governments to adjust their tax rates and even to curb public expenditure.

Bertelsmann

What a binge year for Bertelsmann. The $600m acquisition of Springer Verlag caps a series of bold strategic moves by the private German media giant. For a cautious company, snapping up first Random House for around $1.4bn and then 50 per cent of internet book retailer *barnesandnoble.com* for $200m was bold stuff. It paid top dollar, but sluggish recent results at its core book business explain the burst of activity.

This week's purchase of Springer is the most interesting move of the three. As Germany's leading science and medical publisher with strong internet delivery and an international presence, Springer will give Bertelsmann's sub-scale and domestic business a real lift. If it also contrives a joint venture with Havas, the publishing subsidiary of France's Vivendi, Bertelsmann will soon be exerting real competitive pressure on Reed Elsevier and Wolters Kluwer. Prices of dwindling acquisition opportunities will rise and margins may fall too.

But bedding down these purchases, the US ones in particular, will be a challenge for a company that takes such pride in its all-German supervisory board. Reducing a bulging debt pile may also force it to consider IPOs to raise cash. The music group has long looked a likely candidate. Letting the icy winds of the capital markets course through the Gütersloh headquarters would certainly be no bad thing.

AlliedSignal/AMP

AlliedSignal's $9.8bn hostile bid for AMP is a perfect illustration of the shortcomings of US takeover rules. Three months after launching its offer, the diversified manufacturer remains stuck in the courts, fighting slowly and painfully to remove the various anti-takeover devices that AMP, which makes electrical connectors, has thrown in its face.

The good news is that a district judge is imminently expected to lift an injunction preventing AlliedSignal from installing 17 of its nominees on AMP's 11-strong board. If that succeeds, AlliedSignal would at last control its target – but would still not be able to buy it. AMP has put in place a poison pill (which heavily dilutes any unwelcome bidder) that cannot be removed even by its own board and does not expire for another year. AlliedSignal is, of course, appealing against this manoeuvre – in yet another court case.

Throughout this process AMP's directors have acted with breathtaking disregard for their own shareholders, over 70 per cent of whom have publicly backed the bid. Despite a new chief executive and a hastily announced "profit improvement" plan, it has taken rumours of a white knight to propel AMP's stock above AlliedSignal's $44.50 a share cash offer for the first time this week. AMP's management should finally listen to its owners, dismantle its takeover defences and put the company up for auction.

Milosevic purge stirs Serb student defiance

Belgrade University is again becoming a focus of protest, writes Guy Dinmore

Teodora Tabacki, a 22-year-old philosophy student at Belgrade University, has just spent 10 days in prison in the company of pimps and women forced into prostitution. Her crime: spray-painting graffiti of a clenched fist and "death to fascism" across the Serbian capital.

A new student movement calling itself Otpor (Resistance) is stirring, two years after university activists launched mass anti-government protests. The goal then was to force President Slobodan Milosevic to recognise opposition victories in local elections. Now Belgrade students and professors are mobilising to stop what they see as the destruction of their university.

In May, the ruling coalition of ultra-nationalist Radicals and President Milosevic's Socialists passed a law that gave the central government direct control over the university, allowing it to appoint the rector and deans of the 28 faculties.

Teaching staff were told to sign a new contract, effectively an oath of loyalty. More than 150 have refused and a purge began this month.

The worst hit is the venerable philology faculty where six lecturers have been dismissed by the new dean, Radmilo Marojevic, a Radical party hardliner. Twelve teachers were suspended at the electrical engineering faculty and five dismissed from law.

Early this week, students and professors launched sit-down protests outside the lecture hall where Prof Marojevic was teaching. On Tuesday, the dean had to pick his way through the seated throng amid a cacophony of jeering. Yesterday, 1,200 philology students decided to boycott all classes from Monday.

Vladeta Jankovic, a sacked professor of Hellenic studies who is also vice-president of a small opposition party, says: "The purge is an ideologically motivated attempt to break Belgrade University as the only remaining nucleus of resistance to the regime."

Staff are ordered to appear on the premises during government office hours. "The faculty is becoming a factory," says Slobodan Vukobrat, a respected professor of literature also dismissed for refusing to sign.

Most worrying of all, say some academics, is a trend to make Serbian language and literature dominant, in some cases denying the existence of Bosnian and Croatian authors. "It's a fact that our national language and literature have been neglected for decades," argued the dean, who insists Croats and Bosnian Moslems are actually Catholic Serbs and Moslem Serbs.


Hand of fate: Student protesters in Belgrade display their clenched fist symbol EPA

Serbia's fragmented opposition sees the crackdown on universities and the media, accompanied by a shake-up within the Socialist party and the security forces, as a concerted attempt to remove all resistance to the regime at a time of perceived weakness following the capitulation of Mr Milosevic to Nato's demands over Kosovo.

Political commentators suggest the clampdown – spearheaded by the Radical party – may also be part of a broader strategy by Mr Milosevic to discredit his coalition partners who could ultimately threaten his grip on power.

The US administration is said by diplomats to be pressing Mr Milosevic to cut his ties with Vojislav Seselj, the Radical party boss who led paramilitary units during the wars in Bosnia and Croatia. "Milosevic will need a scapegoat for his failed policies," commented Prof Jankovic. "That could be Seselj."

But, for the moment, the student movement is well aware it is battling against political apathy among a Serbian electorate disillusioned by bickering opposition leaders and exhausted by a struggle to make ends meet.

Outside the university, Otpor activists like Ms Tabacki, and three others who were also jailed, are still spreading their graffiti and distributing leaflets. But their demonstrations have so far attracted only a few hundred people. While some packed the corridor to heckle the philology dean, many others stayed away. Smoking outside the library were Ksenija and Danijela, two students of English whose main aim is to finish off their exams and get a job.

"It's useless to take part," remarked Ksenija. "We tried two years ago and now we think that was a waste of time. It's a question of how much people are ready to sacrifice for the cause and I'm not ready to sacrifice the exams I have to take. I already lost a year."

But as the students dispersed, a trolley bus drew up outside the faculty. On the front was painted a large clenched fist.

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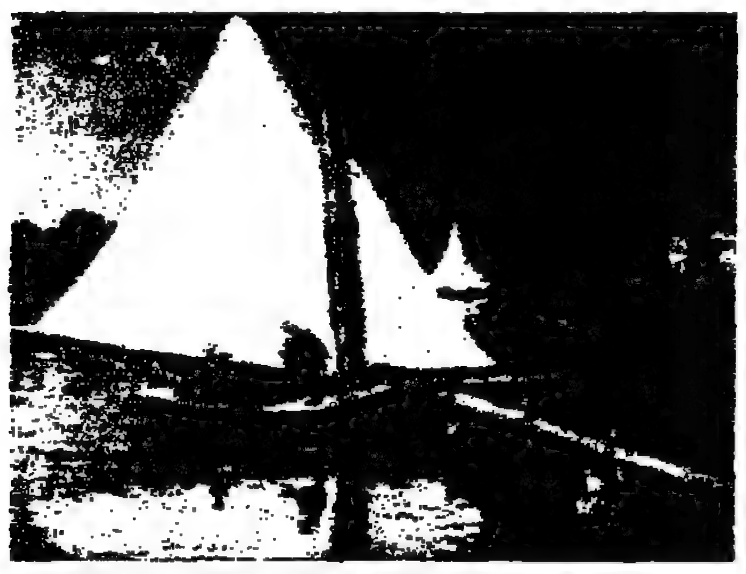
"Canotiers à Argenteuil" by Claude Monet, which sold for $9m at Christie's in New York. The sale totalled $44.9m. Page 6

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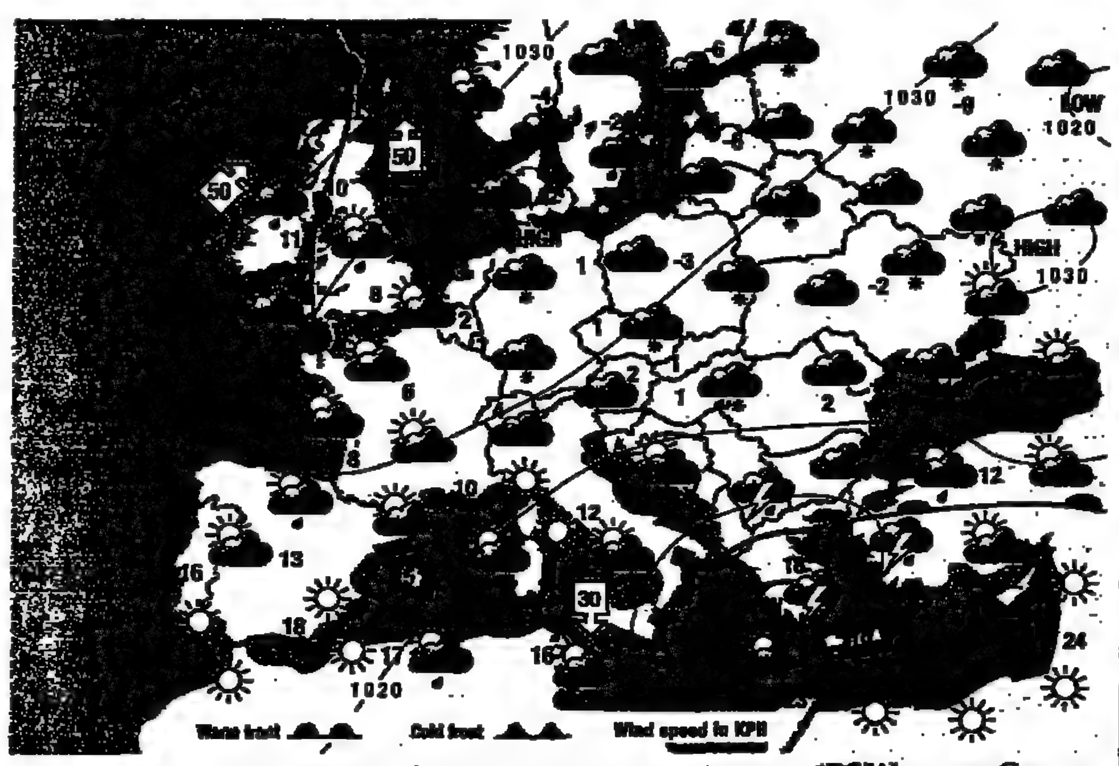
FT WEATHER GUIDE

Europe today

Scandinavia will be cold with snow in the north, but farther south it will be dry as high pressure moves in. Eastern Europe will have widespread snow. The Low Countries, Germany, Switzerland and Austria will be frosty with pockets of fog as high pressure extends south. France and the Iberian peninsula will be fine. Italy will have some sunshine and the occasional shower. Greece and Crete will have thundery outbreaks of rain.

Five-day forecast

Scandinavia will become milder over the next few days as a westerly airflow brings unsettled conditions. High pressure will move across north Europe towards western Russia, bringing frosts and persistent fog. The central Mediterranean and Italy will have showers or longer spells of rain.



Situation at midday. Temperatures maximum for day. Forecasts by PA WEATHERCENTRE

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	Sun	30
Accra	Fair	32
Algiers	Shower	17
Amsterdam	Fair	3
Athens	Thunder	18
Atlanta	Rain	21
B. Aires	Sun	35
B.ham	Cloudy	7
Bangkok	Rain	33
Barcelona	Fair	12
Beijing	Sun	5
Belfast	Rain	9
Belgrade	Fair	0
Berlin	Cloudy	1
Bermuda	Fair	25
Bogota	Cloudy	19
Bombay	Sun	32
Brussels	Sun	2
Budapest	Sleet	1
C.hagen	Cloudy	2
Cairo	Sun	25
Caracas	Thunder	30
Cardiff	Shower	9
Casablanca	Fair	22
Chicago	Fair	7
Cologne	Fair	3
Dakar	Fair	29
Dallas	Fair	18
Delhi	Sun	27
Dubai	Sun	32
Dublin	Rain	11
Dubrovnik	Sun	16
Edinburgh	Rain	8
Faro	Sun	19
Frankfurt	Fair	2
Geneva	Fair	2
Gibraltar	Fair	19
Glasgow	Rain	9
Hamburg	Fair	2
Helsinki	Cloudy	-6
Hong Kong	Fair	25
Honolulu	Fair	28
Istanbul	Rain	10
Jakarta	Thunder	32
Jersey	Fair	9
Johannesburg	Thunder	21
Karachi	Sun	32
Kuwait	Sun	30
L. Angeles	Sun	24
Las Palmas	Fair	23
Lima	Cloudy	22
Lisbon	Sun	16
London	Fair	8
Lux.bourg	Fair	1
Lyon	Fair	3
Madeira	Fair	22
Madrid	Fair	13
Majorca	Fair	14
Malta	Shower	17
Manchester	Shower	7
Manila	Fair	30
Melbourne	Fair	23
Mexico City	Shower	24
Miami	Fair	29
Milan	Sun	9
Montreal	Fair	8
Moscow	Snow	-9
Munich	Snow	-2
Nairobi	Thunder	21
Naples	Shower	12
Nassau	Thunder	29
New York	Fair	16
Nice	Sun	12
Nicosia	Fair	22
Oslo	Cloudy	-4
Paris	Fair	6
Perth	Sun	32
Prague	Snow	1
Rangoon	Rain	31
Reykjavik	Shower	6
Rio	Sun	30
Rome	Fair	12
S. Frsco	Sun	16
Seoul	Fair	3
Singapore	Shower	31
Stockholm	Cloudy	-2
Strasbourg	Fair	1
Sydney	Fair	21
Tangier	Fair	20
Tel Aviv	Sun	24
Tokyo	Fair	13
Toronto	Shower	9
Vancouver	Rain	11
Venice	Fair	8
Vienna	Cloudy	2
Warsaw	Snow	-3
Washington	Shower	18
Wellington	Fair	16
Winnipeg	Fair	1
Zurich	Snow	0

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FINANCIAL TIMES
COMPANIES & MARKETS
FRIDAY NOVEMBER 20 1998
Week 47

INSIDE

Andersen sister firms shrug off feud

Andersen Worldwide announced a 23 per cent increase in revenues to $13.9bn. But its statement made no mention of the bitter dispute between the two businesses that it comprises – Arthur Andersen and Andersen Consulting. Both sister firms reported strong performances. Jim Wadia (above), Arthur Andersen's worldwide managing partner, praised his staff for staying focused on business. Page 22

SocGen to cut debt trading jobs

Société Générale, the French bank, is to cut some of its debt trading operations with job losses expected in coming weeks, following a review of fixed income trading. Page 18

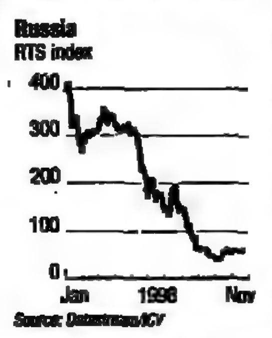
Euroclear to grow US stocks service

Euroclear, the Brussels-based system for settling and clearing cross-border trading in stocks, bonds and shares, is planning to extend its services to include US-listed equities held by investors based outside the US. Page 28

Surviving the cash crunch

The cash crunch that has hit parts of the US real estate investment trust industry means staying liquid is crucial. For some, any asset that can be turned into cash is ripe for sale. But that is unlikely to be enough to fend off a round of mergers. Property column, Page 20

Faint hope amid Russian gloom



The mood on the Russian stock market remains gloomy. Most economists agree that the government will soon be forced into printing more money to cover its gaping budget deficit. But there have been faint stirrings of life. In nominal terms, Russian shares have bounced 55 per cent from their trough in October although the trading volumes have been very thin. Page 40

Controversy dogs Livent co-founder

Garth Drabinsky, co-founder of Livent, North America's largest live theatre company, is a controversial figure. But few would have imagined the scale of the controversy he has generated at the Canadian company, which has filed for bankruptcy protection in the US. Page 20

African gold mines look to marketing

The concept of adding value to gold is new to South African producers. But some are looking to jewellery marketing to exploit the country's dominance in gold production. Page 30

COMPANIES IN THIS ISSUE

CROSSWORD, Page 30

MARKET STATISTICS

Vivendi set to buy software arm

French group will pay up to $1bn for Cendant division

By William Lewis in New York and David Owen in Paris

Vivendi, the French utilities group, is today expected to announce the acquisition of the electronic publishing consumer software unit of Cendant, the US direct marketing and franchising group.

People close to the transaction said the price range was between $800m-$1bn and Vivendi was likely to pay cash to Cendant. However they warned that the deal was yet to be signed by the companies.

Cendant Software is one of the largest PC consumer publishing groups in the world. A leader in entertainment, productivity and educational products, it is said to fit well with Havas, the publishing company owned by Vivendi, which has a focus on multimedia applications.

Havas's 1997 sales were FFr51.7bn ($9.24bn) while Cendant Software's were approximately $800m, people close to the company said.

The move is unlikely to surprise Vivendi shareholders. In October Jean-Marie Messier, chairman of Vivendi, served notice that he expected to have a sizeable war-chest of at least FFr40bn available for acquisitions between 1999 and 2001.

In addition, earlier in the year Mr Messier wrote of his ambition to "create a big French communications group capable of holding its own internationally". In September, Havas paid Pta35bn ($246.5m) for control of Anaya, Spain's leading educational publisher.

Mr Messier has also been active in other areas of the Vivendi group, formerly Generale des Eaux. Earlier this month the company boosted its North American power production capacity by acquiring 23 north-east US power plants from General Public Utilities in a deal worth $1.7bn. The deal makes Sithe, its 60 per cent-owned US independent power production subsidiary, the leading independent electricity producer in the north-east US.

Vivendi also recently agreed to buy a 49 per cent stake in the holding company that controls Fomento de Contratas y Construccion, the Spanish building, real estate and urban services group, in a deal worth about Pta117bn.

For Cendant, the latest move is likely to be seen as a further attempt to restore investor confidence. Shareholders reacted positively to the announcement in August that it had sold Hebdo Mag, a publishing subsidiary, to its management for $410m in cash.

In October, Henry Silverman, Cendant's chairman, said the auction of the software unit had drawn the interest of at least five companies and that a deal could be reached by the end of the year.

Vivendi Czech stake, Page 18

Leaving after 20 years: Jan Baan, right, with his brother Paul, has decided to 'pursue other interests full time'

Jan Baan to cut tie with board of software group

By Gordon Cramb in Amsterdam and Christopher Price in London

The turmoil at Baan intensified yesterday when the Dutch business software group announced Jan Baan is to cut boardroom ties with the company he founded 20 years ago.

Shares in Baan, down 80 per cent since spring, rallied as the company said it intended to strengthen its board. At the same time Goldman Sachs, the US investment bank, said it had built up a 10.5 per cent stake in Baan, making the Wall Street firm Baan's second largest shareholder.

Mr Baan handed over management to Tom Tinsley, chairman, in July and planned to take a seat as non-executive on the supervisory board. But the company said yesterday that "after further reflection, he has decided to pursue other interests full-time".

It added that an extraordinary meeting of shareholders would be convened "early next year, or sooner" to ratify recent board changes and bring in additional non-executive directors, who have so far not been named.

These are to fill the supervisory board position which Jan Baan will not now take, and replace his brother Paul Baan, who is surrendering a role there.

The announcement by Goldman, which last month acquired a parcel of Baan convertible bonds, came in a filing with the Securities and Exchange Commission in the US. Baan shares are traded on Nasdaq as well as in Amsterdam, where they closed Fl 1.60, or 7.6 per cent, higher yesterday at Fl 22.70.

That followed a Fl 4.30 plunge on Wednesday as uncertainties grew about the outlook for the company, which fell into loss in the third quarter. Baan has been hit by delays in orders for its enterprise resource planning (ERP) software, which allows a manufacturer to manage its supply chain. The company blamed the delays on customers diverting resources to tackle the Y2K computer problem, as well as concerns over the global economic slowdown.

However, Baan's main rivals, SAP of Germany and Oracle of the US, have reported strong results from the ERP market, and some analysts have criticised the Dutch group for being unable to manage its rapid expansion. In particular, a rash of acquisitions has left Baan with a portfolio of products which have not been properly integrated, analysts have said.

Paul Baan runs Vanenburg Ventures, the brothers' private investment vehicle. Vanenburg, formerly called Baan Investment, has stakes in other high-technology businesses and is a conduit of funds to their church-based charitable works.

In recent weeks Vanenburg was forced to cut its holding in Baan Company to 29 per cent from 39 per cent as bank lenders said the share price slide meant they no longer had sufficient collateral against loans.

Hopewell Holdings makes provisions of $736m

By Louise Lucas in Hong Kong

Hopewell Holdings, the Hong Kong infrastructure and property group, which undertook some of Asia's most ambitious public works projects, has made provisions of HK$5.7bn ($736m) for the year to June 30.

With work on some of its biggest projects – the Bangkok rail and road system and a US$1.6bn power station in Indonesia – halted by the Asian financial crisis, the group underscored its decline by calling for a five-for-one share consolidation.

Yesterday, the shares closed at HK$1.07, up 8 per cent on the day but about 10 per cent off its HK$10.80 peak five years ago.

Provisions for the full year were partially offset by a HK$2.67bn gain on the sale of the remaining 20 per cent stake in Consolidated Electric Power Asia, the group's power arm.

But Hopewell nevertheless reported a loss of HK$2.81bn for the year to June 30. This compared with a loss of HK$1.69bn for the previous year. Earnings per share fell from HK$0.64 to HK$0.39.

The biggest provision of HK$4.4bn was against the Tanjung Jati B power plant project in Indonesia where work came to a halt two months ago as confidence in the country evaporated and banks pulled in loans. Hopewell signed the deal at the end of last year, and one of the partners was the daughter of then President Suharto.

A provision of HK$800m followed Hopewell's removal by the Thai government from the US$3.7bn Bangkok elevated road and train system (Berts) in September last year – over which Hopewell is pursuing international arbitration.

Other Hopewell problems include high debt levels and skirmishes over its expressway linking Hong Kong to Guangdong province on the south coast of China.

Sir Gordon Wu, chairman, said yesterday that the road made strong returns. Total revenue was boosted by 29 per cent, partly owing to a 20 per cent rise in the toll rate.

The closure of Peregrine, the pan-Asian investment bank, led to provisions of HK110.4m at the interim stage.

EUROPEAN, UK AND US STOCK EXCHANGES MOVE NEARER TO MERGERS

Paris deal sets up pact on continental trading

By Vincent Boland in London and Samer Iskandar in Paris

The Paris bourse yesterday agreed to join the alliance set up by the London and Frankfurt stock exchanges to create a single system for trading the shares of Europe's blue chip companies.

The decision, announced by Dominique Strauss-Kahn, finance minister, signals the end of French attempts to create a rival alliance with other European bourses, and paves the way for the creation of a pan-European stock market linking all the continent's main bourses. This week Madrid became the first European bourse to announce its intention to join the Anglo/German alliance. Milan hinted it would soon do the same. Amsterdam had said it was interested in becoming a member.

The Paris bourse said it had asked the heads of nine European stock exchanges to meet in Paris next Friday to agree on how the pan-European exchange should be structured. The gathering marks a big step towards setting up a unified trading system, although officials stressed that the meeting would not necessarily take decisions.

The talks will bring together the Amsterdam, Brussels, Frankfurt, London, Madrid, Milan, Paris, Stockholm and Zurich stock exchanges.

However, disagreements surfaced yesterday over how far the meeting would settle vexed issues such as ownership and control of the pan-European venture. Jean-François Théodore, chairman of the Société des Bourses Françaises, said Paris wanted a fair share of the venture. Officials at other exchanges said the issue was premature.

The move by Paris to join the alliance was welcomed by the London and Frankfurt exchanges and by the big investment banks and fund management companies that dominate trading in European shares.

"There is obviously a long way to go, but the fact that they are all meeting suggests a pan-European stock market may not be too far off after all," said the head of European equities at a London-based fund management group.

Some sections of the financial community in Paris were furious at being excluded from the original Anglo/German initiative, and there was a brief effort to woo other exchanges initially left out.

However, the main French banks and brokerage firms were keen to join, and became inevitable after its own tentative breakaway plan failed to convince the rest.

Marc Viénot, chairman of Paris Europlace, an association set up to promote Paris as a financial centre, is understood to have played a significant part in opening negotiations with London and Frankfurt, taking over from Mr Théodore.

But a French official said Mr Théodore and Mr Viénot had worked "in tandem" throughout the talks that led to yesterday's breakthrough.

Reeling in US lead, Page 18
Vienna setback, Page 28

Talks aim to establish global energy exchange

By Robert Corzine in London and Nikki Tait in Chicago

The world's two biggest energy futures' exchanges in New York and London are entering into merger talks that could lead to the creation of the first global energy exchange.

Talks between the New York Mercantile Exchange (Nymex) and London's International Petroleum Exchange are due to begin next month, with both sides hoping for an agreement "as soon as possible".

The decision to move towards a full merger came after the two exchanges initiated a strategic alliance this year. Richard Ward of the IPE said members of the two exchanges decided to emulate a growing trend among other international stock markets and seek a fullscale tie-up.

Patrick Thompson, the Nymex president, has spelt out a vision of a more unified, globally based energy derivatives trading complex involving linkages between the US exchange, the IPE and the Singapore International Monetary Exchange. Simex also trades energy products, including the IPE's flagship Brent Blend crude contract.

Officials said a number of issues needed to be resolved before a merger could be agreed. These included whether a combined entity would continue to trade two separate crude oil contracts. Mr Ward said it was logical to retain both, given that users liked to trade the arbitrage opportunities between Brent and Nymex's premier West Texas Intermediate contract.

The two contracts also have different characteristics. Mr Ward said WTI was a "domestic and landlocked" contract that could be influenced by US events while Brent reflected changes in the global supply and demand balance.

Other issues to be resolved include whether to retain the present mutual ownership structure, the opening and closing times of the two centres and whether to retain the open outcry system or move towards electronic trading. Nymex said a central issue would be "what trading privileges our members could share".

Officials said regulatory issues would also have to be clarified before a merger could proceed. The IPE is due to meet the Securities and Futures Association while Nymex will consult with the Federal Trade Commission.

In recent years, price movements on the two exchanges have become increasingly inter-related.

Mr Ward estimated that 35 per cent of the IPE's trading volume was related to developments on Nymex. The two exchanges also have an increasingly common list of members and users.

Eurex set to address complaints

By Edward Luce, Capital Markets Editor

Eurex, Europe's largest derivatives exchange, will next week meet its London-based members to address growing concerns about the effectiveness of its electronic trading system.

The exchange, which is the product of a merger between the Deutsche Terminbörse, the German exchange, and Soffex, the Swiss exchange, has received a number of complaints from some of its 60 London-based members.

The London banks, which provide about 30 per cent of the demand for the futures on the German government bond, Eurex's largest contract, have complained that the Eurex system is too slow to confirm trades.

They have also said the system closes too early, with only half-an-hour "post-trading" time to clear trades after the close of the market. Jörg Franke, chairman of Eurex, yesterday dismissed suggestions that Eurex's system was feeling its age, having been set up in 1988.

"We have seen our average daily volume rise by 320 per cent since January," he said. "It is inevitable that some problems will arise but we can deal with them."

However, the complaints come at a sensitive time for Eurex, which is in a head-to-head battle with the London International Financial Futures and Options Exchange to grab market share after monetary union in January.

Liffe, forced to embrace electronic trading earlier this year after being toppled from its dominant position by the lower-cost Eurex, is to launch its first full-time electronic platform in April 1999. The system, Liffe Connect, will become available for trading in equity options later this month.

Eurex says the problems raised by its London members are largely due to unforeseen bottlenecks. Volumes on its system surged in September and October as international investors fled to the safe haven of the German government bond market through the derivatives exchange. On one occasion, turnover in the 10-year bond future exceeded one million, making it the most heavily traded futures contract in the world.

Liffe, which has also seen a surge in volumes this year, says that Connect will be a more sophisticated trading system than the one supplied by Eurex.

Nine into one will have to go

Stock exchanges must create single system write **Vincent Boland and Samer Iskandar**

When the heads of Europe's nine biggest stock exchanges meet in Paris next week to try to agree the structure of a single system for trading the shares of European blue chip companies, top of the agenda will be how to replace nine computer systems with one.

That is the nub of the issue facing Europe's bourses as they try to put flesh on the skeletal plot outlined in July by the London and Frankfurt bourses to create a unified trading system that would eventually become a pan-European stock exchange.

The likelihood of an agreement among the nine is far from guaranteed because each represents a national institution with a strongly-developed sense of self-preservation. But there is no doubt that the momentum in favour of a pan-European trading system is now unstoppable.

"From the beginning, the aim has been to set up a European stock market to rival the US market," a senior French banker said yesterday. "That objective has overcome the difficulties in the negotiations."

Significantly, the fact that the meeting is being held in Paris shows that the French financial markets have come around to the idea that one such trading system is what is required, and that the Société des Bourses Françaises (SBF) – which runs the French markets – has dropped its own tentative plan to set up a rival.

The gathering is being interpreted by some as an attempt to soothe French *amour propre* and overcome its hostility to a pan-European exchange dominated by the UK and Germany. A French move to join the alliance was inevitable after it failed to muster support from other exchanges for a rival trading platform, even though some of them were equally upset about being excluded from the early stages of the Anglo-German project.

Some observers yesterday privately suggested the meeting, an SBF initiative, could be a gesture to welcome the French to the alliance, and that it would begin building on the work done by London and Frankfurt on their proposal.

An official at one of the exchanges that will be attending the meeting said it was "a lot of fuss over nothing". The alliance had already begun discussions with Amsterdam, which was the first European exchange that it would like to join London and Frankfurt.

Milan and Madrid then came on board and began discussions with the alliance, culminating this week in the Spanish exchange's formal announcement – the first from a European exchange – that it intended to join forces with London and Frankfurt.

Nevertheless, there is widespread acknowledgement that the French decision to join the alliance is crucially important and that the meeting can take concrete steps towards the goal of a single trading system.

"With France on board, we have a very real opportunity to create a pan-European stock market," said Michael Marks, chairman of Merrill Lynch Europe and a board member of the London stock exchange.

According to Jean-François Théodore, SBF chairman, one of the proposals at the meeting will be to set up a formal structure to oversee the development of the pan-European venture.

It is believed that London and Frankfurt have not yet incorporated their strategic alliance, but the question of ownership and control has been one of the main French concerns about the original project, with Paris insisting that it must be an equal partner.

"Ownership will be a topic at the meeting, and the SBF would like to have a fair share in this company," Mr Théodore said.

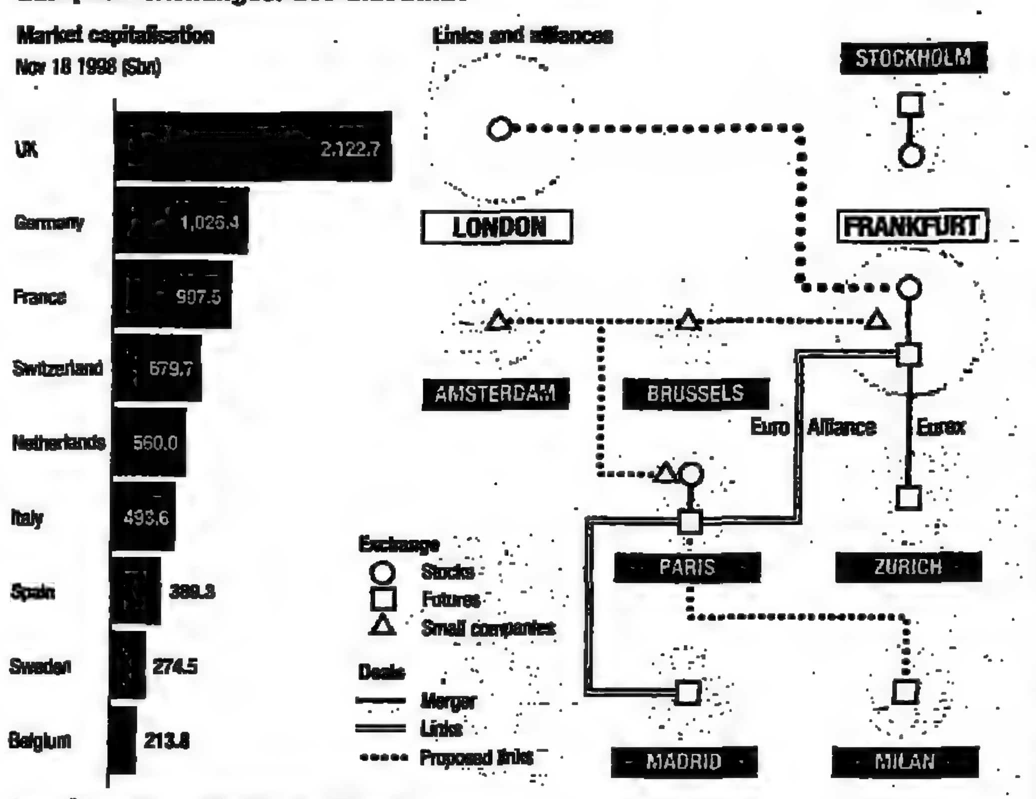
However, other exchanges were tight-lipped about whether that issue would be addressed, while executives at the investment banks that are the exchanges' biggest users said the question should not be allowed to dominate the proceedings.

"A new trading platform is going to have to be built anyway and they should not get hung up on who owns it," one banker said. "Perhaps it should be a public company or something owned by 500 or 1,000 banks." However, observers said such a new trading system, the basis of a pan-European exchange, would take at least a year to build.

Fund managers said yesterday they would like to see the first steps taken at the meeting towards agreeing a framework for harmonising the way share trades are settled across Europe, and a signal that the rules governing the listing of companies on the new exchange would begin to converge.

The London and Frankfurt exchanges have already agreed that there should be joint access for each other's members from January 4, but bankers suggested yesterday it was unlikely that plan could include the other exchanges by that date.

European exchanges: ties that bind?



Sources: Federation of European Stock Exchanges; FT estimates

Düsseldorf group heads for record

By Frederick Studemann in Bonn

Mannesmann, the German conglomerate, yesterday announced a 20 per cent rise in nine month sales to DM32.3bn ($19.1bn) and said full year profits were set to significantly outperform record earnings achieved in 1997.

The Düsseldorf- based group said its three main units, telecommunications, automotive products and engineering, all contributed to growth in sales. Sales at the fast-growing telecommunications division, which has established a significant presence in the liberalised German market, rose 38 per cent to DM6.5bn. The telecoms division now accounts for 45 per cent of the group's sales in Germany.

The company said it was putting the finishing touches to a European telecommunications venture, called Euro.map, offering cross-border services to multinational companies. Mannesmann will hold a majority stake in the venture and Olivetti, the Italian group, will also take a stake.

Analysts reckon the company, which has interests in both mobile and fixed network systems, to be one of the best placed to profit from the price war in the German market. The share price rose slightly yesterday by DM1.1 to DM170.

Earnings were not disclosed. The company said all divisions had contributed to a "substantial improvement" in profits and that the full year figure would be higher than the 1997 earnings of DM1.7bn. Mannesmann said it had reduced losses at Demag, its plant-making subsidiary. This had improved earnings at its engineering division.

Mannesmann said slowing demand from south-east Asia was starting to make itself felt, but that this was "more than compensated" by growth in Germany, Europe and the US.

The company said full year sales were forecast to be up 10 per cent after stripping out the trading and building supplies businesses it is in the process of selling.

SocGen to cut jobs after debt trading review

By Samer Iskander in Paris

Société Générale, the French bank, is to cut some of its debt trading operations with job losses expected in coming weeks, following a review of emerging market and fixed income trading.

It said the decision had been taken as a result of trading losses amid poor conditions in emerging markets. "After an excellent first half, the international and finance divisions posted poor results in the third quarter," the bank said yesterday.

"We have lost money in these sectors," said an official. "In some areas, we will cease our activities, in others we will reduce them."

The company's shares ended 4.7 per cent higher at FFr780.

Prices of emerging market bonds fell sharply in August, after Russia announced it was suspending payments on some foreign currency debts. Although prices have recovered since, yield spreads - effectively the risk premium attached to such bonds - remain above their levels before the summer.

European economic and monetary union is the other important factor threatening banks' earnings potential, with the introduction in January of the euro expected to damp trading in the government bonds of the 11 participating countries.

Profits from these activities have already started falling as markets converge in the run-up to European Monetary Union.

A robust domestic market helped SocGen offset its trading losses. Gross operating income in the three quarters to the end of September was FFr11.6bn ($2.05bn), up from FFr11.4bn in the same period last year.

"Retail banking activity continued to grow at a similar rate to the first half," SocGen said. Deposits and loans have have grown in the French banking system in general as a result of the consumer-led pick-up in economic activity.

Provisions have also declined, as borrowers' creditworthiness has improved. SocGen said domestic risk was "limited". This also applied to international lending, with the exception of Russia and Asia.

Equity activities (including primary, derivatives and brokerage) also "continued to show strong results".

In September, SocGen was the first French bank to set aside large provisions in its first-half results for emerging market losses – FFr2.5bn for Russia and FFr2.8bn for Thailand, Indonesia and Malaysia.

The bank said these provisions were sufficient to cover developments in the third quarter. After reviewing its exposure to Brazil, SocGen felt "no additional provisioning" was required in the third quarter.

NEWS DIGEST

BANKING

Crédit Lyonnais to issue shares in run-up to sale

Crédit Lyonnais, the troubled French bank, is to issue 122.4m shares as part of a capital increase linked to its forthcoming privatisation.

The shares will be issued on January 1 to EPFR, a governmental entity involved in the bank's rescue, in exchange for the removal of a penalising clause which entitles EPFR to a large chunk of the bank's profits until 2014.

The clause was created in 1995 as part of the state-backed rescue of Crédit Lyonnais. Its removal is a necessary step in the privatisation process, which is due to be completed in the first half of 1999.

The clause was valued at FFr19bn by consultants Arthur Andersen earlier this year, based on the bank's estimated future profits. This was reduced to FFr15.8bn this week by the European Commission, after accounting for deteriorating market conditions following the summer's emerging markets crisis.

Crédit Lyonnais yesterday reported a 26 per cent rise in gross operating income in the first nine months, to FFr9.4bn ($3.3bn) – FFr2.2bn in the third quarter. Domestic retail banking activities remained strong in the third quarter, while international operations suffered from the turmoil in emerging markets. **Samer Iskandar, Paris**

STORA ENSO MERGER

EU set to approve deal

Karel Van Miert, the European Union competition commissioner, last night indicated that he was ready to approve the proposed merger between Nordic forestry groups Stora and Enso, creating the world's largest paper company.

Although Mr Van Miert has imposed certain conditions on the deal, it is understood the enlarged Finnish-Swedish group will not be required to cut back paper or board production or close any plants. A formal decision from the commission is expected by the end of the month.

Stora Enso, as the new group is to be called, would control 75 per cent of the European market for liquid packaging board. If the Commission approval is delivered formally before the middle of next month, Enso of Finland will be able to proceed with a share offer to investors in Stora of Sweden, in which they will convert existing stock into new shares in Stora Enso. **Tim Burt, Stockholm**

GREECE

Piraeus Bank to raise Dr100bn

Piraeus Bank, a fast-growing private Greek bank, is to raise Dr100bn ($357m) through a rights issue next month to boost its chances of acquiring state-owned Ionian Bank in a privatisation sale due in January.

The rights issue will include an international tranche for foreign institutions. Piraeus earlier this year raised Dr30bn in fresh capital to finance the purchase of a controlling stake in Macedonia-Thrace Bank, a small state bank offered for sale under the Socialist government's fast-track privatisation programme. Macedonia-Thrace will be merged early next year with Piraeus to improve efficiency and help speed the group's growth.

Piraeus Bank reported an 84 per cent increase in pre-tax nine-month profits to Dr8.9bn. Consolidated group pre-tax profits rose 79 per cent to Dr14.2bn. **Kerin Hope, Athens**

UTILITIES

Vivendi buys Czech stake

Vivendi, the French utilities group, has paid an estimated Kc800m ($16m) to buy a 43 per cent stake in the second biggest Czech water company from Hyder, the UK utilities and infrastructure company. The investment puts Vivendi – which already runs the city of Plzen's water – in a strong position to bid for Prague, the country's biggest water utility and the last still in state hands.

Hyder bought a 36 per cent stake in Severoceske Vodovody a Kanalizace (ScVK), north Bohemia's water company, for Kc320m in 1995. ScVK is the country's most profitable water company, making Kc105m net profit last year on turnover of Kc1.83bn. **Robert Anderson, Prague**

Takeover talk lifts PetroFina shares

By Neil Buckley in Brussels

Shares in PetroFina, the Belgian oil and petrochemicals group, rose sharply for the second day running yesterday amid speculation that it could be taken over by Elf Aquitaine, the French oil company.

PetroFina gained BFr750 to BFr13,300 on the Brussels bourse, despite refusals by both companies – and the group of Baron Albert Frère, the secretive Belgian financier who is PetroFina's chairman and biggest shareholder – to comment.

But analysts said a deal would make sense and were re-examining a statement by Mr Frère in August that neither small nor large operators could ignore the trend towards oil industry consolidation. He told a Belgian newspaper after the merger of British Petroleum and Amoco that "no one can remain indifferent to the evolution in the industry".

"The flow of concentration currently under way is giving food for thought to us and the management, and will influence our choice of strategic direction," he added.

Analysts said control of PetroFina would allow Elf to exploit economies of scale, particularly in downstream activities and chemicals. Combining the two groups' marketing activities would give them an extremely strong position in Benelux and northern France.

Mr Frère, whose companies control almost 30 per cent of PetroFina, is known to be interested in developing his media and high-technology interests. In 1996, he used the proceeds from selling 25 per cent of Tractebel, the Belgian energy group, to become the largest single shareholder, with 12 per cent, in Suez Lyonnaise des Eaux, the French multi-utility business.

Lex, Page 16

Nedlloyd confident despite fall in profits

By Jeremy Gray in Amsterdam and Charles Batchelor in London

Nedlloyd, the Dutch transport group, expects to break even in 1998 despite the financial fall-out from Asia and charges linked to its container shipping joint venture with Britain's P&O.

Nedlloyd's profit from ordinary activities totalled Fl 5m ($2.6m) in the third quarter, in line with analysts forecasts and down sharply from Fl 32m a year earlier, it said yesterday.

The same period in 1997 included Fl 16m in earnings from Martinair, since sold. Net profits more than doubled to Fl 77m, but were skewed by a one-off Fl 73m gain from disposals.

Nedlloyd also blamed higher interest payments at P&O Nedlloyd, the container and shipping joint venture formed last year by the Dutch and UK groups.

Nedlloyd's share in the P&O Nedlloyd contributed Fl 2m to the Nedlloyd result against Fl 14m last time.

Nedlloyd said that operating profit will "clearly improve" in the fourth quarter and "approximately break even" for 1998 as a whole.

P&O Nedlloyd, the merged container company, announced it had made a pre-tax profit of $7m in the third quarter of 1998 compared with a $17m loss in the same 1997 period.

P&O Nedlloyd accounts for around 60 per cent of Nedlloyd's asset base and 10 per cent of P&O.

The container shipping lines should be able to increase rates next year when there is a better balance between demand and supply, Tim Harris, P&O Nedlloyd chief executive, forecast.

P&O Nedlloyd, carried 11 per cent more containers in the third 1998 quarter compared with the corresponding 1997 period, including containers shipped by the recently acquired Blue Star company.

This increase more than compensated for the 4 per cent fall in average revenues per container.

The imbalance in trade with Asia, which has resulted in full outbound containers but many empty returns, cost $10m in the quarter, the same as in each of the previous two quarters.

Analysts said there would be further opportunities for savings from improved management of its containers, the lower operating costs of new ships and on communications costs.

Operating profits rose 20 per cent to $30m in the third quarter on turnover which rose 7 per cent to $886m. Containers handled rose 11 per cent to 654,400.

In the first nine months P&O Nedlloyd made a pre-tax loss of $23m against a loss of $74m last time.

KPN in internet venture

By Gordon Cramb in Amsterdam and Richard Waters in New York

KPN, the Dutch telecommunications utility, and Qwest, a fast-growing US communications carrier, are to create Europe's biggest network for internet traffic, in a venture which they said may lead to joint activities in other areas of the telecoms market.

The two are putting existing fibre-optic links valued at $700m into the project, called KPN Qwest and are committed to spending a further $500m over the next two years. The operation, to begin in January, is due to produce 1999 revenues of some $400m and grow by more than 40 per cent a year.

Joseph Nacchio, Qwest chief executive, said: "This will allow our customers to manage their data, video and voice networks as these converge." The venture is to serve multinational companies in general as well as other telecoms carriers and internet service providers.

Qwest is at the forefront of new broadband carriers in the US. It expects to complete its 18,500-mile fibre-optic US network by mid-1999, ahead of rivals.

The existing KPN network will put the new venture neck-and-neck with MCI WorldCom, the US carrier which has embarked on the most ambitious European network construction, Mr Nacchio said.

Cable & Wireless of the UK is high on the list of carriers that the venture hopes to attract. Qwest already claims a close relationship with C&W in the US and the two are thought to have discussed C&W's possible purchase of "dark fibre", or bulk capacity, on its US network.

KPN, faced with a loss of domestic market share after telephony was opened to competition last year, has been laying fibre optic connections in 28 cities in Europe. It will bring to the business these so-called EuroRings, described as Europe's largest internet protocol backbone. "Eventually we will also reach the private customer," said Wim Dik, KPN chairman.

He added that the venture, aimed at large European users outside the Netherlands, was not intended to replace AT&T-Unisource Communications Services (Aucs). That tie-up – linking AT&T with the alliance between KPN, Swisscom and Sweden's Telia – is being unwound after the US partner linked with British Telecommunications.

"We expect very soon to announce how Aucs in its new form will continue," said Mr Dik.

MCI WorldCom's $500m fund, Page 20

SocGen to cut jobs after debt trading review

Crédit Lyonnais to issue shares in run-up to sale

EU set to approve deal

Vivendi buys Czech stake

COMPANIES & FINANCE: ASIA-PACIFIC

BAD LOANS REQUEST BY JAPANESE CONSTRUCTION GROUP FUELS HOPE THAT FINANCE HOUSES ARE SEEKING TO CLEAN UP THEIR BALANCE SHEETS

Aoki asks banks to forgive Y200bn of debt

By Gillian Tett in Tokyo

Aoki, a troubled second-tier construction company, yesterday asked its creditor banks, including Asahi and Industrial Bank of Japan, to forgive Y200bn ($1.6bn) worth of loans as part of a last-ditch effort at restructuring.

The request has fuelled hopes that the banks are finally seeking to restructure their balance sheets amid mounting government pressure. Some analysts suspect that the economic downturn is forcing them to accelerate decisions about how to handle the huge level of bad, and partly bad, loans on their portfolios.

James Fiorillo, analyst at ING Barings, said: "The banks now seem more willing to go through debt forgiveness, as they now see the need to clean up their balance sheet as being critical for their survival."

Aoki, which has a market capitalisation of Y32.7bn at yesterday's closing share price of Y77, also warned it of a Y290bn extraordinary loss in the current year.

Aoki yesterday admitted it had not yet received any firm guarantees that the banks would approve the restructuring plans. These envisage that the company will cut its workforce to 1,350 over the next five years, half the current level, and withdraw from areas such as overseas construction.

However, IBJ and Asahi, which respectively have Y77.7bn and Y78bn loans to the group, indicated they would support the restructuring plan. This was designed to help "safeguard jobs" and "protect subcontractors" in the current economic climate, IBJ said.

The request highlights the size of the problems facing Japan's ailing construction sector. This week Fujita, another building group, warned it would post a Y150bn charge this year because of restructuring.

Analysts suggest that other banks may take similar steps towards troubled borrowers – not least because the half-year results, to be announced this week, are likely to highlight again the scale of their bad-loan problems.

Sanwa, one of the country's largest banks, for example, yesterday started the bank reporting season with news of Y1,430bn-worth of problem loans calculated under US accounting standards at the end of September, up from Y1,290bn in March. Of this, Y825bn was to bankrupt companies and Y319bn to "watchlist" companies – those where the loans are non-performing or restructured – while Y1,290bn are high-risk loans to companies with difficulties but not in default.

Sanwa expects to post Y800bn loan-loss charges for the full year, after Y215.9bn of such in the first half.

However, it projected Y400bn parent operating profits in fiscal 1998 after reporting Y248bn operating profits and Y13.2bn pre-tax in the first half. In the same period last year it reported Y176.6bn in operating profits and Y19.26bn in pre-tax profits.

First-half operating profits rose at Daiwa, another large bank, to Y46.6bn, compared with Y42.3bn in the same period last year. However, the bank did not revise its bad loan as sharply as Sanwa: the total, under US standards, was Y934bn at the end of September, compared with Y958bn at the end of March. It projected Y270bn worth of loan-loss charges in the current year, after making loan-loss charges of Y53.6bn in the first half.

However, the bank admitted that the recent stockmarket tumble had created a Y380bn hidden loss on its equity portfolios. Accounted for at market levels, this had brought its capital-adequacy ratio down to 4.94 per cent at the end September.

Ricoh hit by weak sales at home

By Alexandra Harney in Tokyo

Ricoh, the leading Japanese copy machine maker, said yesterday that the slump in the domestic economy, which has slowed consumer spending and forced companies to cut capital investment, damaged profitability in the first half.

Consolidated pre-tax profits fell 30.5 per cent, from Y32.26bn to Y22.41bn ($184m), largely because of a weaker domestic market. Net profits slid 7.8 per cent to Y12.16bn.

Strong sales in US and Europe, however, helped offset the losses at home. While sales in Japan were down 4.3 per cent to Y404.12bn, turnover overseas jumped 13 per cent. European sales improved 23 per cent to Y136.93bn. Sales in the Americas were up 14 per cent to Y124.75bn. Exports accounted for 43 per cent of total turnover.

The group blamed the losses on sluggish demand and intense price competition.

Sales of copiers, which represent nearly three-quarters of total sales, slipped 5.2 per cent in Japan and 1.3 per cent overseas. Sales of information equipment, which includes fax machines and personal computer components, fell 2.2 per cent.

Ricoh was also hit by the downturn in the global semiconductor market. Sales of semiconductors and related products fell 4.6 per cent to Y19.52bn.

In the year ending next March, the group said pre-tax profits would fall 31 per cent to Y47bn, against Y68.4bn last time. Sales would rise 1.7 per cent to Y1,427bn. The announcement came after the close of trading. Shares in Ricoh fell Y12 to Y1,096.

Sega blames recession for fall in profits

By Naoko Nakamae in Tokyo

Sega Enterprises, the Japanese video games maker, yesterday revealed first-half non-consolidated net profits down 76 per cent, from Y5bn to Y1.2bn ($9.8m). It blamed the poor results on the depressed local economy and the continuing economic crisis in Asia.

But the company announced an extra Y1 on its interim dividend of Y15 to commemorate the launch next week of Dreamcast, its new games console.

Sega took a Y5.3bn extraordinary loss in the period. This included Y3.7bn of valuation losses on securities holdings and Y1.4bn paid out in a lawsuit involving Dreamcast.

Excluding exceptionals, parent pre-tax profits fell 47.3 per cent from Y12.1bn to Y6.4bn, while sales dropped 30.4 per cent from Y126.8bn to Y100.9bn.

Sega said that the *purikura*, or print club, boom had peaked and sales of the machines that print out novelty stickers stamped with self-portraits had fallen.

It lowered its estimates for the full year, predicting non-consolidated profits excluding exceptionals of Y12bn, compared with Y15bn forecast previously.

Sega also issued its second group profits warning in two months. It lowered its estimate for pre-tax profits excluding exceptionals from its forecast of Y13.3bn last month to Y10.3bn. It also changed its net profit figure from Y3.2bn to Y1.6bn, and its revenue prediction from Y325bn to Y310bn.

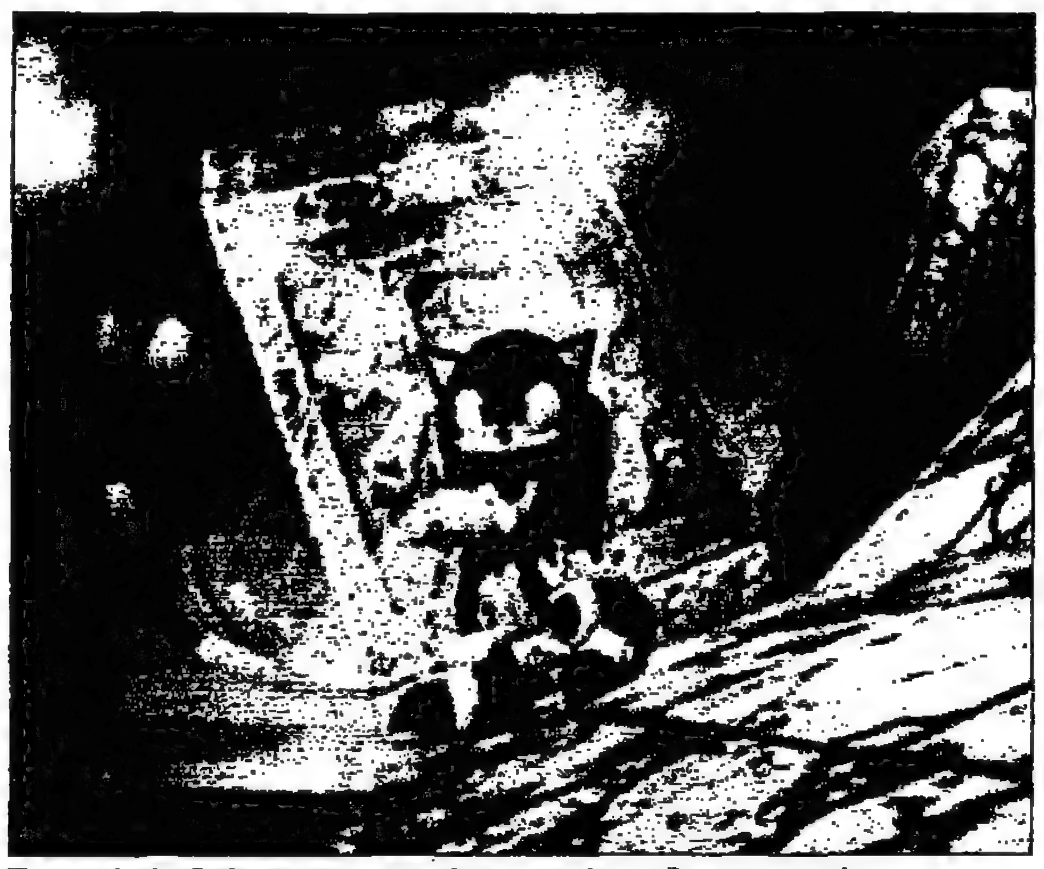
Sega attributed the modification to a worse-than-expected slump in consumer spending in Japan which has led operators of games arcades to rein in investment in new games machines. The lack of hit games in the sector had inflicted further considerable damage to the industry as a whole.

The prolonged recession in Asia has also hurt Sega, which admitted that it had started to increase its focus on the region before the crisis began.

The games manufacturer denied that its production problems with Dreamcast were behind its decision to issue its second profits warning, although it admitted that December sales of the new console would be hit, as it was unlikely to be able to keep up with demand.

The company had initially expected to produce 1m consoles by the end of 1998, but difficulties involving a graphics chip manufactured by NEC led it to cut its production estimate in half.

Sega announced its results after the stockmarket had closed. Its share price fell 2.98 per cent or Y80 to Y2,605.



The next chapter: Sonic sets out on more adventures on the new Dreamcast console

NTT offering set to raise $7.5bn

By Michiyo Nakamoto in Tokyo

Japan's ministry of finance is today expected to announce the sale of 1m shares in NTT, the largest Japanese telecommunications group, in what will be one of the top 10 offerings of this decade.

The sale of a fourth tranche of shares could raise about $7.5bn for the Japanese government, making it comparable to the current secondary issue by France Telecom.

The move follows an initial public offering last month of shares in NTT DoCoMo, the group's cellular phone subsidiary, which was the largest IPO in history and raised $18.2bn.

Share allocation is expected to be made in mid-December with a prospectus released next week. The size and discount to the market price are likely to be announced at the end of the month.

The finance ministry will keep 9.42m shares, or 59 per cent, after the sale.

NTT's share price has been under pressure, falling from a high this year of Y1.28m to Y698,000 yesterday, partly as a result of DoCoMo's listing, which has encouraged some investors to sell their NTT shares in favour of DoCoMo, and partly owing to expectations of a sale of a fourth tranche in NTT.

Nevertheless, the finance ministry is under substantial pressure to sell part of its NTT holding and raise much-needed funds for the government to finance a series of fiscal stimulus measures.

The government plans eventually to reduce its shareholding to one-third.

The announcement comes as NTT unveils first-half results today showing a downturn in its fixed-line subscriber base. However, on a consolidated basis, NTT is expected to report a firm rise in full-year pre-tax profits before exceptionals to Y653bn ($5.4bn), against Y600.6bn, owing to a strong contribution from DoCoMo, in which it retains a 67 per cent stake.

NEWS DIGEST

ELECTRONICS

Toshiba reports loss as demand stays depressed

Toshiba, the Japanese electronics group, yesterday went into the red on a consolidated basis for the first time in 23 years. First-half group net losses were Y23.6bn ($193m) compared with a Y9.6bn profit last year, and a pre-tax loss of Y41bn compared with a pre-tax profit of Y8.7bn. It blamed depressed consumer demand in Japan and the economic turmoil in south-east Asia for the poor results.

Toshiba also admitted that it had been hurt by the global glut of semiconductors and the subsequent severe price deterioration in the market. But it said that it believed prices were bottoming out, and may begin to rise again.

However, operating income from its information and communications systems division was almost five times that achieved last year. **Naoko Nakamae, Tokyo**

INVESTMENT BANKING

Hong Kong job cuts continue

Staff cuts at investment banks in Hong Kong continued yesterday, with both Bear Stearns and ABN Amro Asia, the regional investment banking arm of the Dutch banking group, making lay-offs. Each is understood to have cut about 20 jobs: at Bear Stearns, the losses are mainly in the fixed income sector, while at ABN Amro Asia they are in the equities division. ABN Amro Asia attributed the cuts to "housekeeping" in the face of weak markets.

However, Goldman Sachs signalled a more bullish note for Asia yesterday when it signed a 12-year lease on brand new office premises that are almost twice the size of its current space. **Louise Lucas, Hong Kong**

MANUFACTURING

NKK considers JDB aid

NKK, the troubled Japanese steel maker, is considering asking the government-backed Japan Development Bank for financial assistance. The move follows the announcement last week that Nissan, the number two carmaker, may request a loan of up to Y100bn ($850m) from the same bank. It is a further indication that cash-strapped Japanese companies are being forced to seek alternative funding sources amid the country's deepening credit squeeze and economic recession. NKK, part of the Fuyo group, said the loan was "only one option". It had Y40bn in outstanding loans from JDB in March 1998. In the first half, parent losses totalled Y30.04bn, against profits of Y11.23bn. **Alexandra Harney, Tokyo**

CIGARETTES

Forex losses hit Sampoerna

HM Sampoerna, the Indonesian cigarette manufacturer, continued to be held back by heavy foreign exchange losses. Forex losses of Rp1,192bn ($156.8m) resulted in a net loss of Rp752.5bn compared with a net profit of Rp322.6bn in the first nine months of 1997. But forex losses were Rp1,820bn in the first half, when the rupiah was much lower than the Rp10,700 per dollar used for the latest results. Its rebound has continued and yesterday it stood at Rp7,800, promising a further reduction in losses for the fourth quarter. Strong demand for its cheaper brands helped lift volume 5 per cent in the third quarter. Taken with the rise in cigarette prices, sales were up 50 per cent to Rp3,348bn.

Sampoerna faces the challenge of $150m in loans coming due next year. Analysts have been concerned that the continued weak markets and tighter stock market rules could hit its plans to go ahead with a general rights issue. **Sander Thoenes, Jakarta**

Egat to sell stake in power complex

By Ted Bardacke in Bangkok

The state-owned Electricity Generating Authority of Thailand has approved plans to sell the unfinished Ratchaburi power complex to help alleviate the company's impending cash crunch.

Egat also said yesterday that it planned to issue another $300m in global bonds guaranteed by the World Bank – similar to the landmark issue last month also backed by the World Bank – and borrow another $109m from export credit agencies as well as raise Bt10bn ($27.1m) locally.

The plans are subject to cabinet approval.

The plans call for between 33.3 per cent and 42.5 per cent of a holding company controlling the entire 4,600 megawatt Ratchaburi complex to be sold to a strategic partner, most likely a foreign investor. That stake was worth at least $490m, Egat said.

Ratchaburi is expected to begin generating power in April, almost one year behind schedule.

Egat would retain an equal stake in the holding company, while between 15 per cent and 33 per cent would be given to employees and reserved for a public offering.

The holding company will set up two operating companies, one to run the 1,800MW of combined-cycle capacity at Ratchaburi and another for the 2,800MW of thermal capacity.

Stakes of at least 25 per cent would be sold to private investors in each of these operating companies.

If electricity tariffs remain unchanged and all seven independent power producers under contract deliver their power as scheduled, Egat is expected to begin reporting losses in 2000 after recording negative free cash flow in 1997, according to ABN Amro Asia Securities.

Egat will delay by three years, until 2006, plans to buy 1,600MW of power from Laos.

This is a blow to the controversial $1.2bn 900MW Nam Theun 2 hydropower project which only this week reconfigured its development consortium and renewed its plea for World Bank funding which will not be approved until Thailand agrees to buy the power.

TELECOMMUNICATIONS US GROUP TO SUPPLY VENTURE CAPITAL FOR PROMISING NEW COMPANIES AND TECHNOLOGIES

MCI WorldCom plans $500m start-up fund

By Richard Waters in New York

MCI WorldCom is expected to announce imminently a $500m fund to invest in start-up companies as a way to keep in touch with fast-changing telecommunications and internet technologies.

The move highlights the speed at which the technological landscape of the telecoms industry is changing, posing a threat to established carriers which remain wedded to outdated network and business models.

MCI WorldCom itself is already widely seen as one of the most technologically advanced of the big US telecoms companies, and owns the biggest internet carrier in the shape of UUNet. But through a venture capital fund it would be able to extend its reach by providing seed capital to promising new technologies and companies, said Bert Roberts, chairman.

"When you're as big as MCI WorldCom is, growing as fast as we are in our mainstream businesses, it's hard to nurture the little companies, the new technologies," he added.

The US carrier also said it planned to provide seed money to companies which are building their own networks, such as the so-called clecs, or competitive local exchange carriers. These local networks could eventually provide ways for carriers such as MCI WorldCom to bypass the entrenched Baby Bell companies, creating more competition in the $100bn local market.

While its bigger rival, AT&T, has set out to piggyback on the networks of the cable television companies to reach residential telephone customers, MCI WorldCom is likely to remain dependent on the Bell companies or new telecoms start-ups.

The fund will take over around 30 existing investments made by MCI and WorldCom before their merger two months ago. These investments, with an estimated value of $350m, will be "rationalised", said Mr Roberts. Some are likely to be sold, and others merged or given extra capital. The company also said it would inject another $150m to make new investments.

Besides any investment gains from picking future telecoms technologies, Mr Roberts said MCI WorldCom was "looking toward what will strategically drive ... network application businesses in the parent company". MCI WorldCom is already further ahead in the fast-growing data and internet businesses than other large US carriers, deriving more than $2bn of revenues from these areas in its most recent quarter, or a quarter of its total revenues.

Besides Mr Roberts, the former chairman of MCI, the fund will be overseen by Lawrence Tucker, a partner of the investment bank Brown Brothers Harriman, and Gordon Macklin, a former chairman of the Nasdaq.

Morgan Stanley makes job cuts

By Tracy Corrigan in New York

Morgan Stanley Dean Witter, the US-based investment bank and brokerage, yesterday cut 60 staff from its worldwide fixed-income business – about 4 per cent of the division.

The firm is the latest on Wall Street to announce job cuts amid the disruption of financial markets that followed Russia's default on its domestic bonds in August and caused substantial trading losses for many firms. Last month Merrill Lynch cut 3,400 jobs or 5 per cent of its workforce. Other firms, such as J. P. Morgan and Credit Suisse First Boston, have announced more piecemeal cuts, largely affecting fixed-income and emerging markets businesses.

"We have evaluated our business in the context of the current environment and we believe that we have a solid position vis-a-vis our competitors," Morgan Stanley said.

Following these cuts, the company expects staff levels – currently about 60,000 – to remain flat in 1999.

The cuts follow a 25 per cent increase in fixed-income staff in the past two years. But people close to the company said aggressive staffing targets for 1999 were being set in all divisions during the current year-end budget reviews.

"We don't anticipate further reductions."

The job cuts will be spread across the fixed-income business, but the residential mortgage arm will be hit particularly hard, as the bank plans to move away from that business.

However, the group plans to maintain its strong position in the commercial mortgage and asset-backed markets.

Morgan Stanley's net earnings fell only 5 per cent in the third quarter, much less than most of its peers, partly because of its broad business mix, which includes credit cards and brokerage, providing some stable earnings.

Tales of fraud and intrigue haunt the board at Livent

Edward Alden reports on a drama which has embroiled well-known figures of North American entertainment

Ovitz v. Drabinsky: key shareholder Michael Ovitz, left, and Livent co-founder Garth Drabinsky AP

Garth Drabinsky, the co-founder of Livent, North America's largest live theatre company, has been a controversial figure in Canadian business circles since his days at the helm of Cineplex Odeon, the Toronto-based movie theatre chain.

But few would have imagined the scale of the controversy he has generated at Livent, which on Wednesday filed for bankruptcy protection in the US.

According to allegations filed in an Ontario court by the company's new management, Mr Drabinsky masterminded an astonishing accounting fraud that for years fooled not only the company's auditors but a board of directors comprised of a who's who of Canadian and US investors.

The suit alleges that Mr Drabinsky defrauded the company of some C$97m (US$62m) in pre-tax income through a variety of schemes including direct kickbacks, manipulation of expenses and the maintenance of a separate set of books known only to Mr Drabinsky, his partner Myron Gottlieb and few other insiders.

Mr Drabinsky previously ran into opposition over allegedly aggressive accounting practices at Cineplex and was forced out by the company's main shareholders in 1989.

But he went on to create Livent, which is credited with reviving the grandiose Broadway musical across North America. The company built its own theatres in Toronto, New York, Chicago and Vancouver to stage such lavish shows as *Ragtime*, *Showboat* and *Kiss of the Spider Woman*.

The company built its own theatres in Toronto, New York, Chicago and Vancouver to stage lavish shows

To many savvy investors, it looked like a "can't miss" proposition. Among Livent's board of directors and main shareholders are Thomas Lee, the Boston takeover specialist, Jim Pattison, one of the Canada's most successful entrepreneurs, and newspaper magnate Conrad Black, who expanded his stake earlier this year.

When the company began to run into financial difficulties this year, the board of directors engineered a scheme to force Mr Drabinsky out of day-to-day management. Former Walt Disney president Michael Ovitz invested C$20m in the company and New York investment banker Roy Furman, who had previously acted as an investment banker and underwriter for Livent, was appointed chairman.

In August, the company announced it had discovered serious "accounting irregularities" in recent financial statements, and trading was halted in Toronto and New York.

According to the statement of claim filed by Livent, Mr Drabinsky and Mr Gottlieb manipulated the financial statements of Livent in such a way as to prevent detection by the board of directors and by investor groups. The schemes are alleged to include: C$7.5m in direct kickbacks to Mr Drabinsky and Mr Gottlieb through inflated construction charges; expenses restated as assets, which inflated revenues; transfer of expenses from one show to another, which deferred their amortisation; expenses and payables that were not entered in the main ledger but kept in a separate, confidential set of books; and a variety of smaller, personal enrichment schemes.

On Wednesday Livent released re-stated financial results showing a reduction in net income of C$85.1m for 1996, 1997 and the first quarter of 1998 as a result of the alleged accounting irregularities.

Mr Drabinsky is denying the charges. In his own lawsuit filed on Wednesday, he is seeking C$100m in damages against Mr Ovitz, Mr Furman and several others, charging that they conspired to manipulate the books in order to create the impression that the old management was inept and subsequently inflate the results achieved by the new management.

Meanwhile, Livent is attempting to use bankruptcy protection to raise new short-term financing and to find a large strategic partner for the future, such as one of the big US studios or media companies. The company has hired SG Cowen and Donaldson Lufkin & Jenrette as financial advisers.

Livent's outstanding debt is composed of C$125m in debentures and about C$60m owed to its primary banker, the Canadian Imperial Bank of Commerce. The decision to seek bankruptcy was triggered late last week when the CIBC said it was unwilling to make further loans to keep the company afloat.

The Toronto Stock Exchange said it was currently reviewing the revised financial statements to decide when and if Livent shares will be allowed to trade again.

Sidor closes plants as demand slides

By Raymond Colitt in Caracas

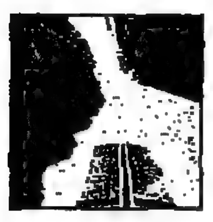
Sidor, the Venezuelan steel producer, has closed two of its direct-reduction iron plants as a result of depressed global steel prices and plummeting domestic demand.

Monday's partial shutdown, making 150 workers temporarily redundant, would last until mid-January, the company said yesterday, and the workers would receive half their salary during that time.

Earlier reports suggested the move would lead to a shortfall of 175,000 tonnes in production of reduced iron, but Sidor said that figure was being revised. The company insisted that its total output and exports would not be affected, as steel furnaces would be fed from its stockpiles and other direct-reduction plants.

Demand for steel in Venezuela dropped this year as the country fell into a deep recession. GDP growth forecasts have gone from 5.5 per cent to a negative 1 per cent for this year. The oil and automotive industries, the principal markets for steel products, have been among the hardest hit. Car sales have fallen for seven consecutive months, and in October reached their lowest since January 1997.

Earlier this year Sidor was regarded as a success after its new management had apparently turned around the recently privatised, loss-making company. In December of 1997, a Latin American consortium acquired Sidor for $1.78bn, including $584m of debt.



THE PROPERTY MARKET

Surviving a cash crunch

A new round of mergers is likely in the US real estate investment trust industry. **Richard Waters** examines the issues

When in need, sell a race track. That seems to be one answer to the cash crunch that has hit some parts of the US real estate investment trust industry. Until recently, being fully invested in a soaring commercial real estate market was the only concern: now, it is all about staying liquid.

For some, any asset that can be turned into cash is ripe for sale. But that is unlikely to be enough to fend off mergers.

The last spate among public Reits in the US made for some very strange combinations. They included the union of Patriot American, a hotels company, with the California Jockey Club, which owned the Bay Meadows race track.

Meditrust, a healthcare company, acquired the more famous Santa Anita track as it branched out from being an owner of nursing homes into budget hotels.

Both companies are now casualties of illiquidity. As long as the banks were falling over each other to lend and the equity and bond markets were churning out a sea of securities deep enough to lift all boats, it was easy for such companies to believe that the money would keep on flowing.

It did not take much to persuade the Reits that this was the case. Nothing prepared them for when the equity tap was turned off.

The US tax code forces Reits to rely on outside sources of capital. To keep preferential tax treatment, Reits have to pay out at least 95 per cent of their net income in dividends. According to Moody's, the rating agency, most go much further. That has left little in the way of a cash cushion in the event of an emergency, forcing the Reits to keep returning to the markets for fresh capital. The spigot has now been turned off, with dire consequences for some.

The good news is that most Reits have survived the dislocation in capital markets well. The bad news is that some financial structures have come unwound. Also, the likelihood that the capital markets will take a more sober view of the sector in future means the industry's growth picture is not as bright as it once seemed.

The problems of both Patriot American and Meditrust stem in part from their use of a financing technique that had become popular in the Reit sector over the past couple of years – the so-called equity forward contract. A company would raise a loan with an agreement to repay the money by issuing stock. As long as share prices headed up, this seemed a cheap way of tapping future shareholders.

Instead, the stock market's love affair with the Reits ended at the beginning of this year. That has made paying off the swaps more expensive than expected. According to John Kriz, managing director of real estate finance at Moody's, the nature of the forward agreements differ: some can be repaid in cash, but others can be settled only with new equity. As share prices fall, that can create a vicious spiral. It takes more new shares to repay a loan. That, in turn, dilutes the existing shareholders more than expected, causing the share price to fall further – forcing the company to issue more new shares.

What it called an "ill-timed" forward contract at Meditrust led Standard & Poor's to downgrade the company's debt to junk-bond status earlier this week.

Patriot American's misuse of equity forwards was even more egregious. It committed to issue more than 13m shares at a time when its stock was above $25, but now faces a share price of less than $8.

Both companies have found that a lack of financial flexibility can be dangerous. Patriot, forced to renegotiate both its equity forwards and its bank lines, has appointed investment bankers to advise it what to do next. Meditrust announced a break-up earlier this week. And both are intent on selling assets – Meditrust has just disposed of the Santa Anita race track, while Patriot, which has already sold most of the land around Bay Meadows, is planning quick disposals of its own.

Despite traumas like these, however, the overall financial health of the Reit sector remains good.

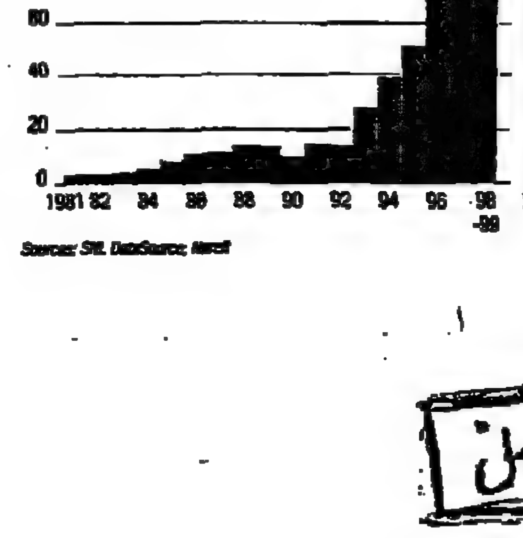
Debt levels have been rising. Nevertheless, the average public Reit remains far less leveraged than the typical real estate vehicle of the late 1980s. As the chart shows, debt differs by asset class, but in most cases amounts to no more than half of total assets. Interest cover is also generally strong.

According to Mr Kriz, most Reits have also extended the maturity of their bank lines and taken other steps to avoid the threat of a liquidity squeeze.

Asset quality also remains strong. The dislocation in capital markets may actually help. The large amount of money available had led to a sharp jump in the price of prime office buildings, pushing values in some markets above replacement cost and prompting the first signs of a new development boom. That has come to a stop. "With the credit crunch under way, development will be stopped in its tracks before it gets going," said Larry Raiman, an analyst at Donaldson Lufkin & Jenrette.

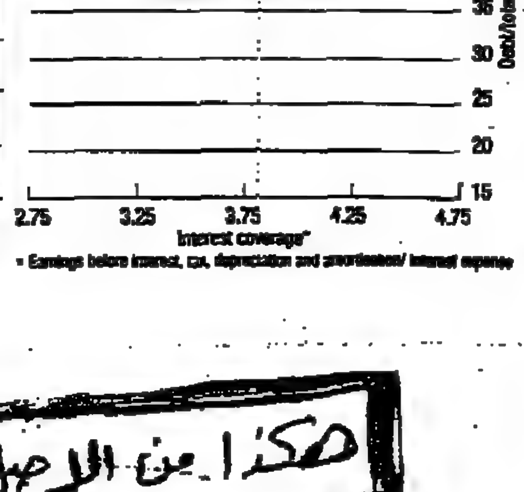
It remains the case, though, that the public Reits had based their strategies on a steady supply of new capital. Acquisitions were expected to play a key part in the growth of the new mega-Reits. Without a fair stock market wind behind them, those acquisitions will be scarcer, and growth rates, for some, will be far less dramatic, according to Mr Raiman.

Profile of a growing sector
Real estate investment trust (Reits) equity market capitalisation by year ($bn)



Source: SNL DataSource; Merrill

Reit sector exposure to debt (%)*



* Earnings before interest, tax, depreciation and amortisation/ interest expense

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ACCOUNTING GROUP SHRUGS OFF INTERNAL DISPUTE

Andersen Worldwide revenues rise 23%

By Jim Kelly
Accountancy Correspondent

Andersen Worldwide announced a 23 per cent increase in revenues to $13.9bn in a statement which made no mention of the bitter dispute between the two businesses which it comprises – Arthur Andersen and Andersen Consulting.

Both sister firms appeared to shrug off their long-running feud to report strong performances, with Arthur Andersen seeing fee growth of 17 per cent to $6.1bn and Andersen Consulting up 27 per cent to $7.8bn.

As the official arbitration enters its second year at the Paris-based International Chambers of Commerce – with a divorce the likely outcome – Arthur Andersen's worldwide managing partner praised his staff for concentrating on business.

"Our people have done a wonderful job staying focused on what truly matters – delivering the highest level of service and expertise to our clients," said Jim Wadia. He said growth was forecast to increase to $10bn by 2001.

Andersen Consulting's spectacular growth continues, but details of its performance will come when it publishes separate calendar-year results. Both firms operate largely as entirely independent businesses.

Arthur Andersen, which judged alone would be the smallest of the Big Five global accountancy firms, said it had capitalised on its "one firm" global structure and the biggest growth had come in business consulting – with revenues up 43 per cent.

The dispute with Andersen Consulting has largely been fuelled by a turf war over providing consulting services. Arthur Andersen is developing its consulting practices rapidly – but with a focus on the middle-market rather than its sister firm's traditional market of large IT-based work for big companies.

Arthur Andersen's success in continuing to produce results which largely match the rest of the sector has been helped by its development of a worldwide legal network with 1,500 attorneys, a leading human resources practice and a fast growing corporate finance business.

"We plan to become a leading global corporate finance house, focusing on transactions in the middle market for mid-market companies as well as mid-market transactions conducted by Global 1000 companies," said Mr Wadia.

He said the firm had not been over-awed by the creation of the giant firm of PwC from the merger of Price Waterhouse and Coopers & Lybrand. He pointed to three recent audit wins resulting from mergers in which PwC lost its position to Arthur Andersen – including that for Bank One, the result of the merger of Banc One and First Chicago.

Arthur Andersen said that currency fluctuations had also knocked its performance by reducing the growth rate from 24 per cent in local currencies to 17 per cent in US dollars.

Enlarged CD Now set to expand overseas

By Alice Rawsthorn

CD Now, the world's largest specialist internet music retailer, plans to diversify into Latin America and Australasia following its merger with N2K, its arch-rival.

Both CD Now and N2K are based in the US, but started supplying compact discs, cassettes and videos to their European customers from a Netherlands distribution centre this spring.

N2K also established a similar operation in Japan.

The two companies will continue distribution from the Netherlands after the merger and may retain N2K's Japanese set-up, according to Jason Olim, CD Now's founder and president.


Pump up the volumes: Jason Olim is keen to talk to other retailers

Sales to customers outside the US represent 22 per cent of CD Now's turnover.

CD Now and N2K announced plans to merge late last month, and are seeking clearance from the US Securities & Exchange Commission, Mr Olim said.

The former rivals agreed to merge as their businesses converged and the cost of operating as an internet retailer in terms of expenditure on promotion and software development rose at a time when Amazon.com, the US-based online bookseller, also expanded in music.

CD Now and N2K plan to forge closer trading links with online retailers specialising in other categories.

CD Now already has reciprocal promotional agreements with Reel for videos, eToys for toys, and Outpost for computer software.

Mr Olim said they are in talks with other specialist internet retailers keen to join the network, and plan to step up its activities by launching customer rewards schemes and charge cards, as well as continuing the joint promotions.

Once the merger is completed, Mr Olim also hopes to speed plans to launch a service whereby consumers will be able to buy albums online by downloading them on to their computers.

He intends to start direct digital distribution by the end of next year.

At the close on February 10, the first day of trading after flotation, CD Now's shares were $22.

However, after hitting a high of $35 in April, they declined to a low of $7¼ on November 2.

At Wednesday's close they stood at $13¾.

Deutsche link puts Ameritrade on growth path

By James Mackintosh

Ameritrade, the sixth largest of the US online stockbrokers, yesterday took its first step outside the US through a tie-up with Deutsche Bank's online subsidiary, Bank 24.

This is the latest in a series of deals by US brokers keen to tap the growing equity culture in Europe, particularly the UK.

The link allows Ameritrade customers to buy German shares and Bank 24 brokerage customers to buy stock in US-listed companies. It is the first time online brokers have linked their back offices across borders, and follows Ameritrade's involvement last week in a planned electronic options market to compete with open-outcry exchanges such as the Chicago Board Options Exchange.

Nasdaq-listed Ameritrade hopes to conclude further deals with brokerages in the UK and Canada by Christmas but refused to reveal its partners. Its aim is that 5-10 per cent of its trades should be outside the US once the links are up and running. On its turnover of $130m for the year to September this would amount to up to $13m of extra revenue.

The rapid pace of international expansion is made possible because Ameritrade is linking with local partners and not using its brand name.

Neil Benedict, vice president of international development at Ameritrade, said: "This is something we wanted to be able to move quickly with. If we were to set up a local brokerage operation that would be a very difficult operation."

Ameritrade's domestic competitors are rapidly expanding into Europe through acquisitions, joint ventures and new operations, but all are concentrating on the UK. Canada's Greenline earlier this year bought Gall & Eke in the UK and Edward E Jones of the US is in the process of opening offices across Britain. E*Trade, the largest of the internet-based US stockbrokers, expects to begin operations through its joint venture with Electronic Share Information, a UK internet start-up, early next year.

Guy Knight, head of European communications for Charles Schwab, which bought Sharelink of the UK three years ago, said the company is almost ready to move into the rest of Europe via the internet. He said the UK was the natural base in Europe for US brokers because of the language, the large number of shareholders and the deeper penetration of the internet than many other countries.

TadTel staff strike over ECI merger

By Avi Machlis in Jerusalem

Workers at Tadiran Telecommunications, the Israeli telecoms manufacturer, yesterday shut down company operations by going on strike over an imminent merger with ECI Telecom, another Israeli company.

The protest was the first challenge to restructuring plans by Koor Industries, Israel's biggest holding company. Both companies are Koor subsidiaries. If completed, the merger – announced in September by ECI and TadTel – will create a group with more than $1bn in annual revenues.

Yesterday's strike came after recovery plans unveiled separately earlier this week for Telrad, Koor's struggling telecoms subsidiary. Analysts said the move is crucial for Telrad's survival. The company has been struggling to reverse losses of Shk46m ($11m) in the year to September since losing big domestic contracts with Bezeq, Israel's telecoms network.

Koor will record an after-tax charge of Shk150m in the fourth quarter for laying off one third of Telrad's 3,000 workers and refocusing on more profitable operations. Telrad workers are furious, and officials at Histadrut, Israel's trade union federation, say a labour dispute is unavoidable.

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Dialog shares tumble 46% after warning

By John Gapper

Shares in Dialog, the online business information group, fell 46 per cent yesterday after it announced that it would not the deliver gains in revenue predicted from the ambitious takeover that created the company in October last year.

Dan Wagner, chief executive, conceded that it could become a takeover target after its shares dropped to 89p from 165½p. About 54m shares were placed at 220p during the £291m ($488m) Maid takeover of Knight-Ridder Information, when the company name was changed to Dialog.

Mr Wagner, who has been criticised by investors before for making over-optimistic growth assumptions, said Dialog was now in "the horrible position" of "looking like an easy take-over target".

Analysts said they were concerned about the company's ability to meet interest payments on about £140m of debt. Mr Wagner said such fears were "rubbish" and Dialog could meet estimated interest payments of £4m a quarter.

Dialog, which sells business information to companies over electronic networks, is now valued at only £134m, compared with the £331m valuation placed on the business when Maid took over of its far larger rival.

ABN Amro, Dialog's broker, cut its full-year earnings forecast by 43 per cent after the company announced revenues of £42.4m for the three months to September 30, and said fourth-quarter revenues were unlikely to be higher.

Patrick Sommers, an experienced US executive, was appointed chief operating officer under Mr Wagner six weeks ago, and now manages all the operating units. Mr Wagner, who holds an 11 per cent stake, will concentrate on dealmaking.

Revenue slowed after the company responded to pressure from customers and amended a charging structure that brought in following the Knight-Ridder takeover. It ended its practice of rounding up all charges to the nearest unit.

Mr Wagner said the company had "underestimated the impact of the price change" and had been over-optimistic.

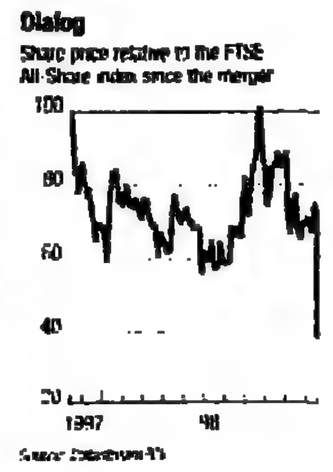
However, it had more than delivered the £31m cost-savings promised at the time of the merger.

"I have to take blame, but do I take blame to the degree that I should not be here? No way," said Mr Wagner. He said his role in restoring Knight-Ridder had been vital and "it would have been a disaster" without him.

COMMENT

Dialog

Dan Wagner had little credibility even before yesterday's profit warning. Now it is torn to shreds. Dialog's ebullient chief executive rarely resists the opportunity to put an optimistic spin on events. At the interim results only two and half months ago, he insisted that the Knight-Ridder Information business Dialog bought last year was under control. Now it emerges that sales, which were expected to take off, have since been static and are likely to fall in the fourth quarter. Alarm bells ought to have been ringing in mid-October, when Dialog knew that September sales figures were below expectations. It should have issued a profit warning right then, not waited a whole month.



Dialog bit off more than it could chew in buying the much-bigger Knight-Ridder and then mismanaged the acquisition. The immediate source of the revenue disappointment was an effective 7 per cent price cut in September. Given the high level of fixed costs and interest payments, profits in the fourth quarter will be virtually wiped out. With the shares down 60 per cent from the level at which they were sold to finance the acquisition, it is no wonder investors are spitting. The sadness is that Dialog still has potentially exciting technology for automatically indexing documents – though none of it from Knight-Ridder. But for now it will be its nickname, Dial-a-dog, that sticks.

LLP/IBC

Birds do it, bees do it, even smaller companies do it. And the last of those have an additional reason for getting together: the scramble for investor attention. After yesterday's share price rises, the IBC/LLP pairing – valued at £315m – has the FTSE 250 index in its sights. But sheer size is not a good enough reason for merging. Other criteria must be satisfied. In this case, the business logic is straightforward. The management structure looks top-heavy, with an executive chairman and chief executive, but at least it is clear who is on top: IBC. As for relative values, LLP comes to the party on a much racier price/earnings ratio of 20-plus. For its shareholders, the deal recovers most of the premium price they paid in the April flotation. For IBC's, a rerating has been triggered. And if there are any other potential bidders, this move will flush them out.

LLP in $529m merger with IBC

By John Gapper,

Shares in LLP, publisher of Lloyd's List, the daily insurance newspaper, and IBC, the specialist publisher and business conference group, rose strongly yesterday after confirmation they were merging to form a company called Informa.

LLP closed 39p higher at 272½p, while IBC advanced 72½p to 437½p. This values the combined company, which will operate in 16 countries and have 5m customers, at £315m ($529m).

The merger was welcomed by investors although the partners did not provide estimates of cost savings, and said most of the value of combining the companies lay in opportunities to increase revenues from cross-promotion and sales.

"Opportunities for increased revenues will far outweigh potential cost savings," said Peter Rigby, chief executive of IBC, who will become executive chairman of Informa if the new company is approved by shareholders.

The merger is to be effected by issuing 66.2m new shares in LLP to IBC shareholders. IBC shareholders will have 57 per cent of the combined company, with LLP shareholders holding 43 per cent.

The companies said there would be some cost savings from combining corporate functions, and merging offices in foreign countries. They said these would be quantified in spring next year at the full-year results.


David Gilbertson (left) and Peter Rigby — David Ahmed

David Gilbertson, chief executive of LLP, who will take the same role in the combined company, said there were "substantial cross-selling" opportunities. These included establishing a set of conferences to match LLP publications.

Danka could seek protection

By Jonathan Ford

Danka Business Systems, the photocopier supplier which last month submitted to strict conditions imposed by its banks to avoid breaching loan covenants, yesterday warned it might still have to seek protection from its creditors under Chapter 11 of the US bankruptcy code.

In its latest quarterly filing to the Securities and Exchange Commission, Danka admitted it might run out of cash during the four-month breathing space granted to it by its 30-strong banking syndicate.

The shares fell 18½p to 38p.

Danka blames its predicament on problems at its US operations, which date back to its £438m acquisition of Kodak's office equipment business in September 1996 – a deal that doubled Danka's size. Poor trading in its second quarter bought the company close to breaching clauses in its covenants that relate to the ratio of its cash flow to the amount of debt drawn down.

Under the four-month waiver, the banks agreed to provide $75m of new loans in addition to its estimated $1bn of debt. Danka said it had received $40m, but the remaining $35m was conditional upon it providing projections and a business plan that were satisfactory to the banks.

"There is no assurance that the business plan will be deemed satisfactory or that such loans will be made," Danka said.

Danka also said it did not expect to have sufficient funds to make payments to Eastman Kodak, the US group that is one of its largest suppliers, for past deliveries of equipment.

RESULTS

	Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Babcock Intl ...... 6 mths to Sept 30★	259.8	(302.8)	11	(14.5L♠)	5	(9.28L)	0.8‡	Jan 29	0.69	-	1.8
Bradford Property ...... 6 mths to Oct 5	37.6	(35.4)	15.7	(16.3)	7.36	(7.64)	4.4	Jan 4	4.1	-	9.1
Cedar ...... 6 mths to Sept 30	7.25	(5.32)	0.971L♠	(1.05)	2.3L	(2.2)	0.8	Mar 26	0.8	-	2.4
Dart ...... 6 mths to Sept 30	49.4	(42.6)	3.09♥	(2.61♥)	6.55	(5.85*)	1.27	Jan 8	1.15*	-	3.65*
Dialog ...... 9 mths to Sept 30	131.2	(21.4)	7.98♠	(1.42♥)	4.6†	(0.5)	-	-	-	-	-
Glenmorangie ...... 6 mths to Sept 30‡	21.1	(22.2)	3.33♥	(4.57♠)	17.32	(23.42)	3.5	Jan 15	3.25	-	14.2
Jarvis Porter ...... 6 mths to Aug 31	48.7	(50.1)	4.01	(7.03)	5.6	(10)	2.5	Jan 5	2.5	-	7.8
Lambert Fenchurch ...... 6 mths to Sept 30	68	(64)	1.24	(7.1)	0.7	(5.4)	1.45	Feb 2	2.9	-	5.65
Norcros ...... 6 mths to Sept 30	107.9	(119.1)	1.24	(6.2)	0.3L	(2.8)	1.2‡	Jan 4	1.1	-	2.3
Scapa ...... 6 mths to Sept 30	254.3	(259.1)	24.5	(29.2)	7.1	(8.4)	2.05‡	Feb 1	2.05	-	7.64
Sterling Publishing ...... 6 mths to Sept 30	11.4	(11)	1.05	(5.24L♠)	0.77†	(12.51L)	0.2	Jan 12	nil	-	nil
Storehouse ...... 28 wks to Oct 10	648.3	(635.5)	38.7	(38.5)	6.6	(6.6)	3.7	Feb 9	3.8	-	9
[illegible] ...... 53 weeks to Oct 3	30.5	(27.5)	2.01	(1.72)	21.4	(17.8)	8	Feb 26	8	11.5	11.5

Investment Trusts	NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Finsbury ...... 6 mths to Sept 30	254.5	(280.3)	0.704	(0.677)	2.9	(2.8)	1.7	Dec 23	1.7	-	4
Fleming Worldwide ...... 6 mths to Sept 30	59.2	(83.2)	1.96	(2.22)	2.53	(2.88)	1‡‡	Dec 23	1	-	4.56
Jupiter European ...... Yr to Aug 31	147.79	(141.19)	1.59	(1.4)	3.3	(3)	2.05	Apr 7	1.8	2.75	2.5
M Currie European ...... 6 mths to Oct 31	212.5	(182.3)	0.235	(0.186)	0.95	(0.79)	-	-	-	-	0.88
Second London Amer. ...... 6 mths to Sept 30	22.3	(27.34)	0.063L	(0.199)	0.08L	(0.22)	-	-	-	-	-
Wigmore Property ...... Yr to Sept 30	100.8	(109.7)	0.086	(0.172)	0.42	(0.85)	0.2	Jan 29	0.5	0.4	0.8

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ★Comparatives restated. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ‡Foreign income dividend. ♦Earnings and dividend refer to A shares. *Restated for share division. ‡Second interim; makes 2p to date. #At March 31; stated before capital repayment of 10p a share.

Trading remains tough at Scapa

By Susanna Voyle

Scapa, the industrial manufacturing group which has issued three profits warnings this year, yesterday said trading remained difficult.

Announcing a 16 per cent fall in interim pre-tax profits to £24.5m ($41m), David Dunn, chief executive, said the downturn caused by Asian economic woes and the strength of sterling continued. He said: "It remains tough and we don't think things will improve in the short term. We are looking at 1999 quite negatively."

Mr Dunn said Scapa would continue trying to cut costs and raise efficiencies.

The group, which last year took a £27.8m charge for restructuring, is on track to exceed the £6m cost savings forecast for this year. Mr Dunn said £3.8m had been saved in the first half, and the restructuring would effectively be completed by the end of the year.

Turnover in the paper-making products and services division was 6 per cent lower at £112.3m, while operating profit fell 12 per cent to £17.4m. Demand for the group's products has fallen after substantial down-time in US paper mills. The speciality materials division, which makes filtration devices for the chemicals and mining industries, saw operating profit fall 52 per cent to £2.1m, on turnover down 13 per cent at £49.3m. Group turnover for the six months to September 30 was 2 per cent down at £254.3m.

LEGAL NOTICES

No. 05641 of 1998

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT

IN THE MATTER OF NORTHERN ASSURANCE COMPANY LIMITED
- and -
IN THE MATTER OF CGU LINKED LIFE ASSURANCE LIMITED
- and -
IN THE MATTER OF THE INSURANCE COMPANIES ACT 1982

NOTICE IS HEREBY GIVEN that a Petition was on 6 October 1998 presented to Her Majesty's High Court of Justice in England by The Northern Assurance Company Limited ("Northern") for an order under Part I of Schedule 2C to the Insurance Companies Act 1982 (as amended) ("the Act"):

(i) sanctioning a scheme ("the Scheme") for the transfer to CGU Linked Life Assurance Limited ("CGU Linked Life") of the whole of the long term insurance business carried on by Northern ... (the "CULAC") ...

(ii) making provision for related matters in accordance with paragraph 5 of the said Part I.

[illegible]

Linklaters & Paines, One Silk Street, London EC2Y 8HQ
Solicitors for Northern and CGU Linked Life

CONTRACTS & TENDERS

INVITATION FOR THE EXPRESSION OF NON-BINDING INTEREST IN THE PRIVATIZATION OF THE COMPANY "GENERAL MINING AND METALLURGICAL S.A. LARCO"

Within the framework of Law 2000/91 the Greek Government and the Shareholders of "GENERAL MINING AND METALLURGICAL S.A. LARCO" ("the Company" or "LARCO") have decided to proceed with its privatization. The contemplated privatization will be effected through the assumption of managerial responsibility and the acquisition of the whole or part of the shares of the Company by a strategic investor (the "Privatization").

Potential investors are hereby invited to express their non-binding interest in the Privatization.

A. Company Profile

G.M.M. S.A. LARCO, established in 1989, constitutes the continuation of M.M.E. LARCO S.A., which was founded in 1963. The Company's object is the mining of nickel ores and the metallurgical processing for the production of ferronickel (FeNi), which is used in the production of stainless steel. The Company is one of the biggest European producers of ferronickel using indigenous ores. During 1997, the Company produced 17,609 tons of nickel and its sales were 18,255 tons of nickel, the majority of which was exported to countries within the European Union.

LARCO's metallurgical plant is located in Larymna, in the prefecture of Fthiotida. The Company currently possesses concessions in five Greek prefectures, owned or leased from the Greek State, the subsoil of which contains nickel ore.

The company currently employs 1,323 people in all sites (mines, plant and administration). For the year ended 31 December 1997, the Company's sales amounted to 37.2 bn GRD, and pre-tax profits were 13.1 bn GRD. As of that date, the Company's total assets amounted to 54.9 bn Grd and its net worth was 22.1 bn GRD

B. The Privatization - Procedure for Expression of non-Binding Interest

The Organization of Financial Restructuring of Enterprises A.E. ("IRO"), Public Power Corporation ("PPC"), National Bank of Greece S.A. ("NBG") and Epsilon Kefalaiou S.A. Administration of Assets and Liabilities ("EPSILON") (together, "the Shareholders") have retained National Investment Bank for Industrial Development S.A. ("ETEBA"), Baring Brothers Limited ("ING Barings") and NBG International Limited ("NBGI") (together, "the Advisors") to act as Financial Advisors for the Privatization.

Potential investors are invited to submit to the Advisors their expression of non-binding interest in the Privatization. For further information on the Company, potential investors may, at the discretion of the Advisors, the Shareholders and the Company, apply for an information memorandum upon receipt of a signed confidentiality agreement. Potential investors will also be allowed to make site visits at a convenient date to be arranged through the Advisors. All inquiries relating to the Privatization should be directed through the Advisors. There should be no direct contact with either the Company or the Shareholders.

Furthermore, potential investors shall be expected to submit to the Advisors no later than 26 February 1999, their suggestions for the accomplishment of the Privatization. Potential investors should specify among other things:

- the extent of managerial responsibility they would be willing to assume
- the number of shares in the Company that they would be willing to acquire
- details of any capital investment program which would be undertaken and
- any other terms and conditions

After the completion of the above process, an invitation to submit binding offers will be published, including a timetable and the terms and conditions acceptable by the Shareholders and the Company and all other details concerning the process as required by Law 2000/91. However the Shareholders and the Company reserve the right to discontinue or alter the process at any time.

All parties interested in obtaining the information memorandum or any other relative information and/or clarification related to the above, should contact the Advisors as follows:

ETEBA	ING BARINGS	NBGI
12-14 Amalias Ave.	60 London Wall	Old Change House
102 36 Athens	London EC2M 5TQ	128 Queen Victoria Street
		London EC4V 4HR
Mrs Elizabeth Gerasimatou	Mr Matthew Hancox	Mr Omiros Millas
Tel: +301 - 329 6454	Tel: +44171 - 767 6591	Tel: +44171 - 661 5672
Ms Eleftheria Karachaliou	Mr Robert Davies	Fax: +44171 - 661 5666
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Halifax's new chief defends strategy

By Christopher Brown-Humes

James Crosby, incoming chief executive of the Halifax, yesterday mounted a vigorous defence of the company's strategy, dismissing criticism that it was a complacent and undynamic organisation that had lost its way since last year's £18bn ($30bn) flotation.

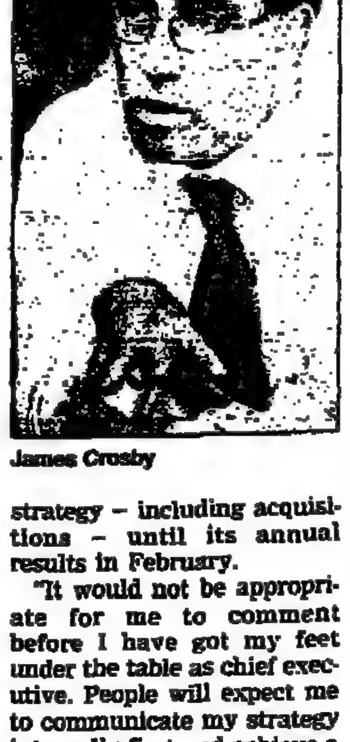
He reiterated the company's ambition to be the leading provider of personal financial services in the UK, and its desire to reduce its dependence on its core mortgage and savings business.

"Leading is not solely about size. We want to be the biggest but we want to get there through the quality of what we do," he said in an interview.

For much of the last 18 months the market has speculated feverishly over Halifax's plans for acquisitions or mergers. The group, the country's biggest mortgage lender, has been linked to a number of household names, including Norwich Union, Prudential and Barclays.

Mr Crosby, 42, will take over from Mike Blackburn as chief executive in January.

He said he would not comment in detail on the group's



James Crosby

strategy – including acquisitions – until its annual results in February.

"It would not be appropriate for me to comment before I have got my feet under the table as chief executive. People will expect me to communicate my strategy internally first and achieve a successful handover from Mike," he said.

Mr Crosby said Halifax with its 20m customers had many advantages over competitors. "We have a tremendous brand and franchise and we are essentially a low cost producer. These are two core advantages of the business on which we can build."

He acknowledged the group had come under pressure "for not doing enough," and suggested it might have done more to get its message across. "We have clearly stated we are interested in making acquisitions, and we are always considering potential options and evaluating them. But we would have been very seriously criticised if we had made the wrong acquisition at the wrong price."

The strategy was to reduce the bank's dependence on mortgages and savings from 77 per cent of earnings to 66 per cent within five years, and to 50 per cent within 10 years.

"These targets are eminently deliverable," he said. He emphasised that the bank had met expectations with its "satisfactory" results since flotation. "No-one has accused us of over-promising," he said.

Mr Crosby indicated the group had seen a rebound in its mortgage share in the second half of this year, after seeing a £462m net outflow of business in the first half.

Pictet leaves the family firm

By Jane Martinson

Fabien Pictet, a member of the Swiss banking family, has decided to leave the security of the family firm, Pictet, to set up a hedge fund in one of the world's most volatile investment areas – emerging markets.

Fabien Pictet & Partners, the investment company set up this year by several former employees of the Swiss private bank, launched the London-based hedge fund yesterday. It aims to raise up to $100m by December 11 and up to $250m over the next 12 months.

Mr Pictet, who was a partner of the family firm by the time he left last year, admitted that it would be a lot harder raising money for his new fund, following this summer's economic turmoil.

However, he said the situation was a "little better than two months ago" because global interest rate cuts had helped improve sentiment.

Mr Pictet said that his decision to leave the firm was still a "delicate" matter. He had always wanted to run a hedge fund, and had now "made enough money to put my dream together".

Mr Pictet said that London was the best place for the Dublin-listed fund because of the time zone and the regulatory rigour.

After five months waiting for approval from Imro, the fund management watchdog, he said: "We are regulated by an authority which is 10 times harder than anywhere else in the world. It's great to have that sense of security."

Hedge funds have been hit by a crisis of confidence since the near-collapse of Long-Term Capital Management, the US hedge fund, this summer. The industry came under fire for failing to give information to investors following this debacle.

Pictet said yesterday that the new fund, which will invest in bonds, equities and derivatives, would offer detailed information to investors. "Transparency is the watchword for hedge funds today," said Jonathan Neill, managing director.

The company is also set to impose restrictions which would prevent any of its six traders losing more than a combined 2.5 per cent of the fund's value in any quarter.

Financial Objects may list at £100m

By Paul Taylor

Roger Foster, the computer industry entrepreneur and former chairman of ACT Group, is to bring Financial Objects, his second banking software start-up, to market.

Financial Objects, which has emerged as a leading supplier of advanced banking software and services, is expected to be valued at about £100m ($168m) when it floats on the main market in London via a global offering next month. The Birmingham-based company plans to raise about £20m of new money through the offer, which is sponsored by Goldman Sachs International with Hoare Govett as co-lead managers and joint broker.

Mr Foster, who founded Financial Objects in 1995 after he sold ACT to Misys for £193m, has about 40 per cent of the company, set up with venture capital provided by Schroder Venture Advisors and Thompson Clive & Partners. He is expected to retain about 20 per cent after the float – a move that will confirm his position as one of the most successful UK-based software entrepreneurs.

Financial Objects was set up to develop and market ActiveBank, a new generation of banking software designed to run Microsoft's Windows NT operating system. The company employs more than 200 people.

The group acquired International Banking Systems, an established banking software group, two years ago.

In 1997 Financial Objects had turnover of £15.9m and made a pre-tax profit of £2m. For the six months to June 30, turnover grew to £10.3m against £7.9m a year earlier, and pre-tax profits increased 48 per cent to £1.6m.

Mr Foster said the listing would help raise the profile of Financial Objects and enable it to become "a strong number two" to Misys in the international banking software market.

"Banks and other financial institutions throughout the world have entered a process of rapid change which is unprecedented in the industry," he said. "This is creating a growing demand for highly flexible business systems".

Glenmorangie to lift marketing

By John Willman

Glenmorangie, the last independent quoted producer of single malt Scotch whisky, is planning a Christmas advertising blitz for its products after a change in strategy designed to raise margins by reducing bulk sales to other producers.

Campaigns on television and radio will promote sales of its malt whisky and wood finishes – malts matured in sherry and port barrels.

The company hopes that increased sales of its high-margin branded products will more than make up for the profits lost on lower-margin bulk sales for use in blended whiskies. It believes it needs to retain its stocks to meet demand for its branded whiskies, which rose 10 per cent last year.

"We make three times as much profit on selling our brands as in bulk sales," said Geoffrey Maddrell, chairman. "We have planned carefully to take advantage of the critical Christmas period."

The shift in strategy led to a drop in turnover in the first half, when most of the bulk sales normally take place. An 83 per cent reduction in bulk volumes meant turnover for the half-year to September was down 7 per cent on last time at £21.1m, despite a 9 per cent rise in branded sales. This led to a 27 per cent decline in interim profits, to £3.33m ($5.6m). But Mr Maddrell said growth in the second half would lead to a "satisfactory outturn" for the year. "The new strategy means a rebalancing of profits. From 60 per cent in the first half and 40 per cent in the second, we expect the balance to be reversed."

Dutch link-up for Eastern

By Andrew Taylor

Eastern Energy, the UK's largest electricity supplier and second-biggest domestic gas supplier, has joined forces with the Dutch gas distributor Energie Noord West to sell natural gas in the Netherlands.

Separately, National Power, the UK's second largest largest generator and Union Electrica Fenosa of Spain are understood to be involved in talks to buy two Italian power stations from Enel, the state-owned energy group.

The moves represent the latest in a rising tide of European acquisitions, joint ventures and strategic stake building to take advantage of the liberalisation of power and gas markets in the European Union.

Next February most EU members will be required to open at least 25 per cent of their electricity supply market to competition, rising to at least 33 per cent by 2003. By June 2000, countries will have to open 20 per cent of natural gas markets to competition, rising to 28 per cent by 2005.

Eastern, bought this year for £4.45bn ($7.47bn) by Texas Utilities of the US, plans to sell gas to large industrial customers through its Compass Energy joint venture with Energie Noord West. The Dutch company has 10 per cent of the gas distribution market in the Netherlands, which the joint venture aims to increase to 12 per cent.

Eastern has a controlling interest in a Czech power company, stakes in two Norwegian hydro-electric power stations, development interests in three Polish power stations and a power trading joint venture with Lunds Energi of Sweden.

MANAGEMENT GLOBAL RETAILING

When size matters

Peggy Hollinger talks to Ahold's chief executive about his determination to make the Dutch food retailer the world leader

Cees van der Hoeven does not seem to be a boastful man. But the chief executive of Royal Ahold, one of the world's leading international food retailers, is not shy of setting out his company's stall.

He has repeatedly said he intends to become the world's number one food retailer, not in some distant foggy future, but within the next four years. "Our intention is to double sales," he says from his office on the outskirts of Amsterdam. "In 1997 we made sales of $28bn and we will have over $50bn in 2002."

Size is everything – or almost everything – to this Dutch oilman turned retailer, who became chief executive of Ahold almost six years ago. Being global is "increasingly a key to success. It is underestimated tremendously," he says.

Ahold today is a vastly changed company from the canal-side shop set up by Albert Heijn and his family in rural Ootzaan more than 100 years ago.

It is now the biggest supermarket group in the Netherlands with more than 25 per cent of the market, and number four in the US. It operates in six countries in Latin America, five in Europe, and five in south-east Asia. Only Carrefour of France has more international exposure as a food retailer.

But Ahold's first forays into international retailing more than 20 years ago were not spurred by any great global vision. It was simply the result of the oil crisis and the ensuing economic turmoil which put a socialist government in power in the Netherlands.

The election sent a shiver of fear through the Heijn family and, seeking to protect their assets, they began to invest abroad.

Since then, the drive to international expansion has been fuelled more by industrial logic than by politics. Mr van der Hoeven admits that the relatively small size and maturity of the Dutch market forced the group to look abroad earlier than many of its international rivals.

But today the rapid developments in technology and communications play to the strengths of a more broadly based company, he argues. "Our business is becoming more technologically driven," he says, and size allows Ahold to keep up with the best. The company spends the equivalent of about 1 per cent of its overall sales on technology. "We can spread the load of investment in technology much more than smaller companies can," says Mr van der Hoeven. "For those that do not have the sales base, it becomes prohibitively expensive."

'We will not let the competition force us into making a move. It is not a gold rush'

Ahold's strategy has been to pursue growth mainly outside northern Europe, believing that opportunities in regions such as the UK and France are limited due to the concentration of a few strong players in those markets.

Recently, however, Mr van der Hoeven has decided to review that policy for several reasons. "The introduction of the euro and other measures are setting Europe in the direction of becoming a truly common market," he says.

Ahold is Europe's 10th largest food retailer, and the market leader in four of the five countries in which it operates. But on a European scale, it risks being left behind if consolidation accelerates on the back of a harmonised marketplace.

"We do see a lot of concentration taking place in Europe. The question is whether a truly global retailer in food can afford to have such a relatively weak position in Europe."

As for the benefits of size so often talked about when companies consider going global – buying power, distribution, and so on – Mr van der Hoeven says it is necessary to look at how these are achieved. "Are those economies of scale gained by being a pan-European retailer, or by being a market leader in a single country? Or do they come from being a global retailer?"

The Ahold chief executive does not pretend to have the answers. "It depends on how the food industry looks at this," he says. "Can we have better partnerships with manufacturers because we have a position in Europe or do we already have that because we are a global player? The answer will only come when specific opportunities present themselves and we study those opportunities."

In the meantime, Ahold has been pursuing international growth through two methods: equity stakes in businesses in high growth or emerging markets, allowing the company to use the expertise of local retailers; and acquisitions in more mature markets, such as the US. In both cases Ahold is careful to preserve the brand names of existing businesses, adhering to the rule "think global, act local".

"You pay goodwill for the franchise a chain has and you do not want to throw that away," says Mr van der Hoeven. "We find 90 per cent of the synergies out there by preserving the name but integrating the supply side of the business. That way you create a combination of economic scale but at the same time serve the local needs of the customer."

Van der Hoeven: 'We see a lot of concentration in Europe'

Parts of Ahold's expansion strategy have been criticised. Recently Ahold paid US$2.8bn to buy Giant, the US east coast supermarket chain. The deal may have consolidated its position in the world's largest developed food market but it also resulted in Ahold's second equity issue in less than a year.

Mr van der Hoeven shrugs off the criticism. "We throw off little net cash. So any acquisition of size needs to be financed from external resources." In his view, it is better to pay up for a good business than to get a bad one on the cheap.

"We feel better making good companies better than turning a business round," he says. "Turnrounds take a lot longer and a lot more management attention. And if we acquire a good chain we can much more effectively exchange best practices with it."

Mr van der Hoeven is clear about the benefits of being the biggest foreign food operator in the US. "In Holland we are good at everything on the supply side of the business. In the US we are more demand-side oriented," he says. That means there are "a lot of specific customer-oriented initiatives in the US that are useful in the Dutch operation and a lot of systems logistics in the Netherlands that are useful for the US operations."

The international exposure is particularly useful in a mature market like the Netherlands, where building new stores to generate sales growth has not been an option for many years.

Ahold has extended services, such as home delivery, on the back of experience gained in Argentina where its Disco chain runs a free and profitable operation. It is also using the expertise of US operators to extend its in-store pharmacies in the Netherlands and to cope with the management of costs arising from extended opening hours.

"We can experiment more in the Netherlands than we do in growth markets," he says. "Then we use the experience we have here in other markets."

Mr van der Hoeven's vision and conviction are compelling. But does his stated ambition to be the world's largest food retailer put Ahold in danger of simply doing deals for the sake of it, given the fact that its international rivals are waking up to the benefits of international expansion?

Absolutely not, says Mr van der Hoeven. "We will not let the competition force us into making a move. It is not a gold rush."

Albert Heijn Supermarket, Holland: from canal-side shop to this

Ahold facts

- Operates in 17 countries and is the biggest foreign food retailer in China, with 40 stores in Shanghai.
- Pro forma, total sales this year are forecast at $35bn.
- Net profits expected to be more than Fl 1.1bn.
- Stated goal of 15 per cent growth in annual earnings to 2000.
- Netherlands accounts for one-third of total sales and operating profit.
- North America returns 55 per cent of sales, almost 60 per cent of operating profit.
- Rest of Europe and Asia generates 8 per cent of sales, 5 per cent of operating profit.

MANAGEMENT BURN-OUT

Too hot to be healthy

Anxiety, depression and stress at work can end in personal catastrophe, **says Alison Maitland**

Sandy Wilson, a senior human resources consultant leading a project for an influential but troublesome client, was feeling frustrated, overworked and low on energy.

At 49, he had the experience to handle the problems but had lost the will. His colleagues felt his grip on the project was slipping. He had recently lost his temper with his boss. He was exercising less, drinking more and his relationship with his teenage son was suffering. He could see no promotions ahead, just years of exhausting work. "The fight in me is gone," he told his wife.

If his symptoms sound familiar, that would not surprise Andrew Kakabadse, professor of international management development at the UK's Cranfield School of Management. He believes Mr Wilson, an example based on a real case, illustrates an increasingly common problem – executive burn-out. It has emerged as a big concern in Cranfield's research and training on leadership, involving thousands of senior managers in 14 countries.

"I have trained, consulted with or interviewed 3,500 to 4,000 executives in the past three to four years," says Prof Kakabadse. "If there's one thing that stood out in my mind as the most common experience of senior people, it is burn-out."

Burnt-out executives feel helpless to tackle problems they could once deal with easily, and do not know how to confront their predicament.

Prof Kakabadse has devoted a chapter to the phenomenon in *Essence of Leadership*, a book he has co-authored with his wife, and has embarked on a full survey of executives to find out more.

Dr Graham Lucas, a psychiatrist at London's Cromwell and Priory hospitals who treats senior executives suffering from burn-out, says it is the "catastrophic result" of prolonged stress. "Anxiety and depression are minor psychiatric illnesses which predispose to, and are aggravated by, occupational stress," he says. "All these are eminently treatable provided they are recognised."

But failure to intervene can lead to impaired concentration, disturbed sleep, problem drinking, irritability, guilt and burn-out.

Prof Kakabadse believes burn-out has become inevitable because of the increasing complexity of many jobs, "downsizing" and age discrimination. These add to pressures on managers, reduce their prospects of promotion in flatter organisations and create uncertainty.

Companies are often at a loss to know how to deal with it, says Prof Kakabadse. "For many, the temptation is to ignore the signs."

Employers can help by giving executives time off, reorganising workloads, setting overburdened people clear goals, and offering counselling and training.

Prof Kakabadse cites the use of sabbaticals by companies such as McDonald's, the fast food chain.

But more important is personal development and training, a priority for even the most senior managers.

Prof Kakabadse says it is imperative that the person experiencing burn-out accepts the responsibility for his or her own life. First recognising the symptoms, then focusing on tackling those problems that seem manageable.

But, says Dr Lucas, if burn-out is left untreated, it can lead to impulsive acts – even suicide. "It's end-of-the-road stuff unless we do something pretty damn quick."

INFORMATION TECHNOLOGY INTERNET

Signing up to the future

Butcher

Security can unlock the digital economy and allow freedom of information, writes Geoff Nairn

The internet's supposed lack of security is often held to be an obstacle to the rapid development of a digital economy. Electronic signatures – the digital equivalent of ID cards – aim to provide the solution and, after a slow start, the technology is gaining wider support.

From January the small Danish town of Naestved plans to use electronic signatures to give its citizens secure access to the files held on them by local authorities and to allow them to conduct a range of transactions online. "We want to put all the data we can on the internet," says Hermann Weidemann, administrative director of Naestved.

"We aim to move the whole community as fast as possible from an industrial to an information-based society."

Naestved has seen its traditional industries decline recently and Mr Weidemann sees electronic signatures as vital to creating a digital economy. One of the most interesting uses is in electronic procurement. In January the council will create an online trading community with local businesses, in which digital signatures are used to authenticate the parties and to certify transactions.

The town hall is an important buyer of local goods and services and handles about 150,000 transactions a year. Mr Weidemann hopes to process half electronically within one year and estimates the project, which cost DKr2m ($318,000), could pay for itself within three years through the savings the town hall will make – about DKr20 to DKr40 a transaction.

The project, which uses IBM electronic signature technology, is one of a growing number of grassroots initiatives involving digital signatures that have sprung up across Europe.

Digital signature technology is often seen as the key to the development of e-commerce, and is heavily promoted by the financial services industry through global initiatives such as the Secure Electronic Transactions (Set) standard.

But Set has not found wide support outside the credit card companies which developed the technology, and its critics see it as a technology with little commercial relevance.

Small-scale local initiatives such as Naestved's are better placed to succeed, according to their proponents because they go beyond e-commerce pilot projects by promoting the use of digital signatures in all aspects of everyday life.

In Italy, central and local governments are looking to use electronic signatures to streamline their awesome bureaucracies. Attempts to reduce the paperwork have foundered because of the legal requirement for certificates to authenticate transactions and the identities of parties involved.

All this may soon change, thanks to a landmark piece of legislation that paves the way for the widespread use of digital signatures in Italy. The law was passed last year and has still to be fully implemented but the first signs of the nascent "digital administration" are visible in Italy's public offices.

In Bologna, for example, the local council started a digital signatures project in June. The council acts as a "certification authority" (CA) which means that after checking an applicant's identity, it issues him or her with a digital certificate – a small program that allows the user to generate a unique digital signature.

This piece of code is stored on the hard drive of the user's PC – or embedded in a smartcard – where it provides proof of the sender's identity for online transactions and acts as an "electronic seal" that prevents digital documents being tampered with in transit.

When a transaction takes place, the encrypted signatures of each party are sent to the CA which compares them with the digital certificates it holds in a database. If the signatures are genuine, the transaction is authorised – and cannot later be repudiated.

Analysts see big opportunities in the technologies needed to make these "webs of trust" work. Datamonitor, the US analyst firm, predicts the worldwide market for digital signature products and services will grow from $115m in 1998 to $1.9bn in 2001, with Europe accounting for about 35 per cent.

Telecom Italia, Italy's former telephone monopoly, is one of many European companies hoping to get a foothold in this promising market. Its Village Trust service aims to take some of the headaches out of running a CA by allowing the certification system to be hosted on its computers, located outside Rome.

> **'We aim to move the community from an industrial to an information based society'**

The Village Trust service uses certification technology from US company GTE Cybertrust and has been adopted by the city councils of Siena and Pesaro. In France, rival US company Verisign formed a similar venture with a group of French companies including France Telecom and smartcard maker Gemplus.

But several hurdles to the widespread adoption of digital signature technology remain. One is the proliferation of incompatible technologies for creating and managing the digital certificates. This could require users to go through multiple registration procedures to obtain digital certificates from several CAs.

"We can see everyone diverging, producing digital signatures and confidential messages that are not compatible," says Chris Taper, of the European Electronic Messaging Association.

But the biggest problem in Europe remains the legal vacuum surrounding digital signatures. This year the European Commission proposed a directive laying down minimum rules concerning security and liability of electronic signatures.

The proposal was approved by the European Parliament last month but member states need not translate it to national law until the end of 2000. According to EEMA, this pace is ill-suited to the speed of technological development in the industry.

DAVID BOWEN
WEB SITE INSPECTION

Taking a 3D look at the New Beetle

A revamped classic is aimed at the young and trendy driver – and it's looking good with the help of a few software devices

The New Beetle is causing a stir in the US. Volkswagen is doing its best to establish it as a style icon among the young, trendy and well-off, which makes the web an obvious place to put the message across.

The UK site is busy building loyalty, even though a right-hand drive Beetle won't be available for a year. The site shares much with the US one, including a bewildering number of software devices for viewing the car in 3D and video, although the videos, frankly, are a waste of time. (If you want to compare Quicktime VR, VRML, streaming video, ActiveX and WebCam, these are the sites to visit.)

Both look great, have good navigation, and concentrate on the look of the car. The US site uses navigational "bubbles" with slightly blurred but effective images and words. The shop offers spin-offs such as a pen and a New Beetle CD.

But the navigation is spoiled by desperate attempts to avoid the obvious. Why is "history" in a section called "Thanks"?

Although these are good sites I still prefer that of the Mini. It was launched at least two years ago, yet retains its freshness. The Build Your Own Mini feature, which allows you to add Ben Hur wheels, rocking chairs and a Welsh flag on the roof, may not be very grown-up but it fits the cheeky brand to a tee.

New Beetle US
www.newbeetle.com ***
New Beetle UK
www.newbeetle.co.uk ****
Mini
www.mini.co.uk *****

London's Selfridges and Fortnum & Mason are popular destinations for international shoppers. So they will be pleased to know they have web sites – unlike Harrods (even though the company fought in the courts for the right to the domain name) and Hamleys, the World's Greatest Toy Shop.

Fortnum's site, after a shaky start, has become more confident. It has an online ordering section with worldwide delivery for most items (including a £2,000 hamper: '33 champagne, Beluga caviar, etc). But it also has practical information – opening times, where to find what, and restaurant menus (but strangely, no map).

The site's weaknesses appear to come from underfunding – the pictures are weak, the design too plain. For a few thousand more, it could reflect the eccentric lushness of the Piccadilly shop, which would really pull in the punters.

Off to Selfridges, where I got giddy. This is one of the most confusing and self-indulgent sites I have ever looked at. The home page sounds a warning that mediocre copywriters are on the loose: "A world within a world", "Where service meets style".

The site has had plenty of money spent on it, but to no great effect. You can find practical information such as opening times – but only if you think to click on Tourist Information. You can even find car park charges – but in a section called "Did you know . . ."

Each page is kept within a box, outside which are icons that take you to quite unrelated areas. You could, for example, go from (out-of-date) "What's On" information to (out-of-date) stuff on the new Manchester store. It's not surprising the information is out of date – whoever is charged with updating it probably could not find the pages.

The navigation is a mess – the only intelligent device is an omnipresent duck (don't ask why) which brings you back to a menu of sorts.

The designers must have thought a deliberately random site would make us think Selfridges is terribly modern. They are wrong: most of us don't have time to enjoy such conceits.

www.fortnumandmason.com
Overall ****
Design ***
Navigation ***
www.selfridges.co.uk
Overall **
Design **
Navigation *

Two sites show how simple but good-looking illustrations can really give them a lift. Bendicks, the upmarket chocolate maker, uses amusing cartoons to good effect, while the Royal Society of Chemistry has transformed its ChemSoc site from what could be a boring set of links into something approaching real art. In the technical world of the internet, the potential for applying visual flair is often ignored – it is nice that a scientific organisation has understood that.

Bendicks
www.bendicks.co.uk *****
ChemSoc
www.chemsoc.org *****

David Bowen is editor of Net Profit newsletter (www.net-profit.co.uk; info@net-profit.co.uk).

BUSINESSES FOR SALE

CONTRACTS & TENDERS

LEGAL NOTICES

Company No. 2669825

NOTICE of resolution for payment out of capital

PNG ENFIELD LIMITED

NOTICE IS HEREBY GIVEN in accordance with section 175 of the Companies Act 1985 that on the 13th November 1998 the above named company ("the Company") approved a payment of £124,187 out of capital for the purpose of redeeming 124,187 of its own redeemable preference shares: that the statutory declaration and auditors' report required by section 173 of the Companies Act 1985 are available for inspection at the Company's registered office at 6th floor, Thavies Inn House, 3-4 Holborn Circus, London, EC1N 2HL; and any creditor of the Company may at any time within the 5 weeks immediately following the aforementioned date of the resolution for payment out of capital apply to the Court under section 176 of the Companies Act 1985 for an order prohibiting the payment.

Dated 13th November 1998

Peter Gross
Director

No. 004928 of 1998

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT

IN THE MATTER OF
BRITANNIC ASSURANCE PLC
- and -
IN THE MATTER OF THE
COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that an Order of the High Court of Justice, Chancery Division dated 9 November 1998 sanctioning a Scheme of Arrangement and confirming the reduction of share capital of the above named Company from £12,863,500 to £2,354,716.15 and the Minute approved by the Court showing with respect to the capital as altered the several particulars required by the above mentioned Act were registered by the Registrar of Companies on 11th day of November 1998. Upon the Scheme and reduction becoming effective the share capital of the Company was increased to its former amount.

DATED the 20th day of November 1998

Clifford Chance
200 Aldersgate Street
London EC1A 4JJ
Ref. KO
Solicitors to the Company

هكذا من الأصل

EURO PRICES

EQUITIES

Bourses brush off rate freeze

EUROPEAN OVERVIEW

By Philip Coggan, Markets Editor

European equity markets moved sharply higher yesterday, despite some downbeat economic news and the Bundesbank's decision to leave interest rates unchanged.

Those who fear that the German economy is slowing down will have noted another decline in the Ifo survey of business confidence, where the index fell from 94.1 to 92.4, a worse result than most analysts had been expecting.

But bourses shrugged off the threat of economic slowdown, with the help of strong performances by bank stocks and some fairly robust corporate earnings news. A technical squeeze ahead of stock option expiries in some markets today was seen to have helped.

The FTSE Eurotop 100 index was up 62.66 or 2.5 per cent to 2,588.61, while the broader Eurotop 300 gained 24.72 to 1,113.17. The FTSE Ebloc 100 index, which focuses on countries in the euro-zone, rose 20.13 to 923.83. The rally centred on blue chips; mid-caps gained just over 1 per cent.

Corporate earnings remain the main problems for the market. "European earnings growth forecasts are still likely to be way too high" says Ian Harnett, director of European strategy at BT Alex Brown.

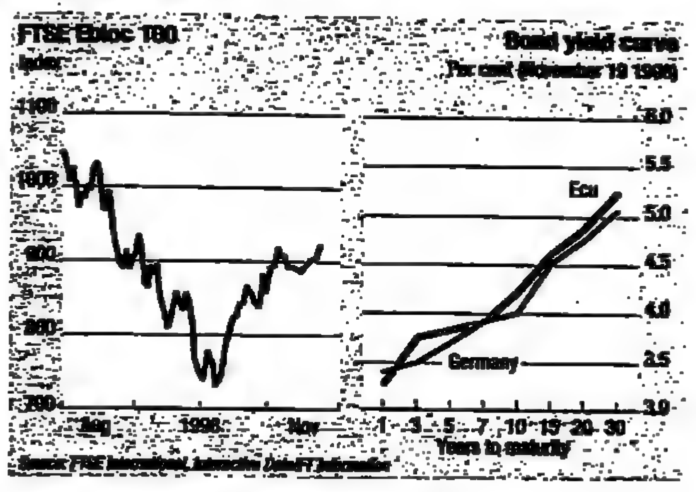
"Unless we are within three months of the end of downward revisions, European markets are likely to remain under some pressure. Given the likelihood of a slow [European Central Bank] monetary policy response, and the implications of this for higher real interest rates and a stronger D-Mark, any relief rally on the back of the Fed rate cut will probably be short-lived," said Mr Harnett.

The earnings news was not so bad yesterday, however. Société Générale reassured investors with its nine-month figures, closing Ecu 5.20 ahead at Ecu 118.34. With some bid talk floating around the French and UK banks, the sector gained 3.2 per cent.

The best-performing sector was alcoholic beverages, up 4 per cent. LVMH, battered in 1998 because of its Asian exposure, rebounded Ecu 9.20 to Ecu 165.52.

Another poor day for Bouygues sent construction down 2.2 per cent.

FTSE Ebloc 100 — Index; Bond yield curve — Per cent (November 19 1998)



FTSE Actuaries Share Indices — European series

November 19

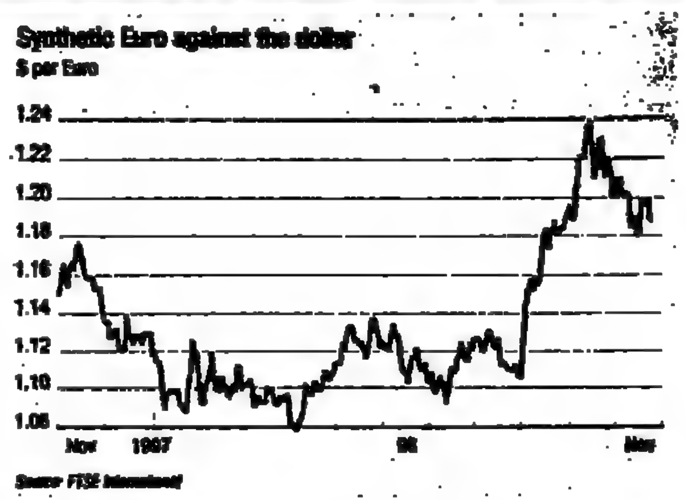
National & Regional Markets	Ecu index	Day's %	change points	Yield gross %	xd adj ytd	Total rate (Ecu)
FTSE Eurotop 300	1113.17	+2.27	+24.72	2.47	30.18	1151.35
FTSE Eurotop 100	2588.61	+2.48	+62.66	2.47	37.95	927.13
FTSE Ebloc 100	923.83	+2.23	+20.13	2.29	14.44	937.13
FTSE EuroMid	1090.18	+1.07	+11.51	3.01	0.15	1127.80
FTSE EuroMid Ebloc	1138.98	+1.06	+11.97	2.54	0.02	1162.58
FTSE EuroMid Ex UK	1136.85	+1.21	+13.64	2.43	0.02	1157.52
FTSE Eurotop 300 Regions						
Eurobloc	1157.30	+2.07	+23.50	2.17	20.99	1181.37
UK	1043.45	+2.86	+29.06	2.94	48.38	1111.37
Europe Ex-Eurobloc	1079.09	+2.48	+26.14	2.78	38.23	1126.67
Europe Ex-UK	1153.72	+1.98	+22.37	2.28	18.47	1174.77
FTSE Eurotop Industry Sectors						
RESOURCES	882.53	+0.66	+5.84	3.31	29.22	901.97
Extractive Industries	748.85	+0.94	+7.01	4.82	14.54	764.66
Oil, Integrated	834.67	+0.65	+5.36	3.25	21.73	854.88
GENERAL INDUSTRIES	1010.67	+2.38	+23.54	2.72	20.31	1031.23
Construction	872.65	−2.16	−19.29	3.17	11.06	882.80
Building Matls & Merchs	883.36	+0.90	+7.87	2.53	8.98	890.98
Chemicals	843.72	+1.89	+15.64	2.87	17.45	858.61
Diversified Industrials	917.25	+3.00	+26.75	2.58	17.48	932.99
Electronic & Elect Equip	897.52	+3.02	+26.33	1.85	5.41	902.41
Engineering	811.76	+1.09	+8.73	4.10	11.68	821.65
Paper, Pckg & Printing	789.34	+1.40	+10.91	2.84	1.21	790.33
CONSUMER GOODS	1161.12	+2.02	+23.06	1.61	50.08	1232.20
Automobiles	839.26	+3.25	+26.43	2.71	10.25	847.04
Alcoholic Beverages	935.24	+4.00	+35.96	2.85	286.79	1383.24
Food Producers	987.41	+1.48	+14.42	1.54	11.84	998.01
Household Goods & Texts	983.78	+3.65	+34.61	1.92	7.88	991.16
Healthcare	871.36	−0.04	−0.39	1.34	13.51	884.40

CURRENCIES & MONEY

FT SYNTHETIC EURO RATES

Nov 19	Currency code	Closing mid point	Change on day	Change on day%	Change on week	Change week %
Europe						
Austria	ATS	14.050455	−0.0008	−0.01	−0.0023	−0.02
Belgium	BEF	41.188517	−0.0223	−0.05	−0.0177	−0.04
Czech Republic	CZK	35.798943	+0.1571	+0.44	+0.4078	+1.15
Denmark	DKK	7.593902	+0.0012	+0.02	−0.0005	+0.01
Finland	FIM	6.071889	−0.0008	−0.01	−0.0017	−0.03
France	FRF	6.695006	−0.0005	−0.01	−0.0029	−0.04
Germany	DEM	1.997019	−0.0002	−0.01	−0.0004	−0.02
Greece	GRD	334.441246	−1.0082	−0.30	−0.4065	−0.12
Hungary	HUF	259.214254	−0.2508	−0.10	+0.9869	+0.38
Ireland	IEP	0.803444	+0.0002	+0.02	+0.0010	+0.13
Italy	ITL	1976.751626	+0.1039	+0.01	+0.7527	+0.04
Luxembourg	LUF	41.188517	−0.0223	−0.05	−0.0177	−0.04
Netherlands	NLG	2.251639	−0.0003	−0.01	−0.0004	−0.02
Norway	NOK	8.888021	+0.0057	+0.06	−0.0164	−0.18
Poland	PLN	4.094463	−0.0380	−0.92	+0.0099	+0.24
Portugal	PTE	204.718221	−0.0965	−0.05	+0.0382	+0.02
Romania	ROL	11788.949906	−19.7980	−0.17	+133.3232	+1.14
Russia	RUB	20.921151	−1.3181	−5.93	−0.4372	−2.05
Slovakia	SKK	43.375728	+0.0558	+0.13	+0.1729	+0.40
Spain	ESP	169.984355	+0.1468	+0.09	+0.2270	+0.13
Sweden	SEK	9.804948	+0.0069	+0.07	+0.0280	+0.29
Switzerland	CHF	1.642182	−0.0025	−0.15	−0.0036	−0.23
United Kingdom	GBP	0.712827	−0.0031	−0.43	−0.0013	−0.18
ECU	ECU	1.015388	−0.0005	−0.04	−0.0000	+0.00
Americas						
Brazil	BRL	1.419191	−0.0072	−0.50	+0.0141	+1.01
Canada	CAD	1.840705	−0.0206	−1.10	+0.0127	+0.70
Mexico	MXN	11.790738	−0.1078	−0.91	−0.0732	−0.62
United States	USD	1.188702	−0.0089	−0.75	+0.0087	+0.74
Pacific/Middle East/Africa						
Australia	AUD	1.841537	−0.0182	−0.98	−0.0293	−1.56

Synthetic Euro against the dollar — $ per Euro



EUROZONE CURRENCY CONVERGENCE

BONDS

INTEREST RATE SWAPS

EUROZONE CORPORATE BONDS

GOVERNMENT BOND SPREADS vs ECU

EUROZONE CREDIT SPREADS vs ECU

OTHER INDICES

FTSE EUROTOP 300

European prices end on firm footing

GOVERNMENT BONDS

By Khozem Merchant in London and John Labate in New York

Bond markets ended on a firm footing yesterday as the latest indication of weakening business sentiment in core Europe turned the focus back on to European interest rates.

However, US Treasuries were moving in a narrow trading range by early afternoon as trading sentiment remained dominated by the Federal Reserve's 25 basis point cut in interest rates earlier this week.

The benchmark 30-year bond was ⅛ higher at 99⅔, sending the yield down to 5.256 per cent.

Shorter-term issues were lower, with the two-year note down ⅛ to 98⅔, yielding 4.644 per cent.

A series of fresh economic reports had done little to move prices by midday.

Housing starts rose strongly in October, above expectations, but a report by the Philadelphia Federal Reserve Bank showed renewed weakness in the manufacturing sector.

"The next employment report [in early December] is going to be important," said Claude Persico, economist at Dresdner Kleinwort Benson. "It will give the market some evidence of when the next Fed move will be."

German bunds closed firmer. The expectation is for a cut in interest rates by the European Central Bank in the new year, in light of the wide expectation of a slow-down in Europe's growth rate.

There was a hint of this in a survey published by the Ifo economics institute, with the business confidence index falling to 92.4 in October from 94.1 a month earlier.

"The feeling was that the recent share rally would boost business confidence but it did not. That boosted bonds," said David Keeble, at CSFB.

Analysts pointed out that in similar circumstances in the US, the Federal Reserve has been proactive in cutting rates – this week's was the third consecutive cut.

"The ECB will have to do the same and right now that is why bunds have outperformed Treasuries," said Keith Edmunds, at IBJ International.

The future on the 10-year bund contract settled at 113.59, up 0.33. Turnover on Eurex was 385,000 contracts.

In the cash market the yield on the 10-year bund dropped marginally to 4.03 per cent.

There is also increased speculation that the Bank of England will feel compelled to make a further reduction in interest rates if next week's industrial trends survey by the Confederation of British Industry mirrors the sentiment in yesterday's Ifo report.

The December gilt future settled unchanged at 116.24 in light trading on Liffe. In the cash market, the yield on 10-year gilts fell slightly to 4.80 per cent.

In emerging markets, attention appears to be shifting back to Latin America, where sentiment has been bolstered by the $41bn package for Brazil led by the International Monetary Fund, the Federal Reserve's rate cut and the positive response to the Argentine $1bn bond issue earlier this week, which buoyed other Argentine debt instruments yesterday.

The average yield spread on the J.P. Morgan Emerging Market index fell 24 basis points to 1,081 basis points.

Euroclear to extend service for US stocks

By Vincent Boland

Euroclear, the Brussels-based system for settling and clearing cross-border trading in stocks, bonds and shares, is planning to extend its services from the middle of next year to include US-listed equities held by investors based outside the US.

From Monday Euroclear will begin clearing and settling the shares of US companies listed on Easdaq, the pan-European stock market for growth companies. It said yesterday it would extend a similar service to all remaining US equities in the first half of 1999.

The service will apply to non-US counterparties that hold or trade US-listed equities. Euroclear estimates that $900bn of the $13,000bn of outstanding US equities are held by investors outside the US, and the proposal is an attempt to capture a slice of that market.

Euroclear said the move did not require additional approval from the US Securities and Exchange Commission beyond that which enables it to clear and settle trading in US Treasuries, which it started last year, but it will require further investment in technology.

Wim Claeys, managing director, product development and corporate strategy at Euroclear, said the ability to clear and settle US equities would reduce "the cost and risk associated with multi-currency, cross-border settlement across numerous time zones".

Euroclear already offers settlement and clearing services for other US securities, including strips, yankee and global bonds, preferred shares, trust certificates, and US government bonds.

NEWS DIGEST

EQUITIES

Joint chief Imo resigns from Vienna stock exchange

Vienna's efforts to establish itself as the main centre for trading in central and eastern European shares have suffered a setback with the resignation of Christian Imo, 43, joint chief executive of the Vienna stock exchange. Mr Imo, appointed less than a year ago, made his name as the founder of Otob, Austria's futures and options exchange, which has carved out a successful niche as the leading eastern European derivatives exchange.

Otob merged with the Vienna stock exchange last year and Mr Imo was given the job of charting a new future for one of Europe's smallest and least successful stock exchanges. A former senior executive at the German futures exchange, he took Vienna into a strategic alliance with the Deutsche Börse, which will lead to Vienna scrapping its trading system in favour of Germany's Xetra system. He was also responsible for overseeing the formation of Ostbörse, a new eastern European exchange, which will be jointly owned with the Deutsche Börse and concentrate both exchanges' east European share trading in Vienna.

There has been speculation in Austria that Mr Imo quit because he was not receiving sufficient support for his modernisation plans. However, the Vienna stock exchange said yesterday his departure had been amicable and Mr Imo intended to set up his own business in Vienna.
William Hall, Zurich

CREDIT RATINGS

Fitch IBCA upgrades Poland

Fitch IBCA yesterday became the first of the main rating agencies to upgrade Poland, raising the country's long-term foreign currency rating from BBB to BBB+. Moody's and Standard & Poor's rate Poland's long term credit rating Baa3 and BBB-, respectively, the lowest investment grade ratings. The Fitch IBCA move takes Poland two notches above that level. It also upgraded Poland's long-term local currency rating from A- to A+ and its short-term foreign currency rating from F3 to F2.

The upgrades reflect positive economic developments in Poland as it prepares to join the European Union early next century. The agency says the central bank's independence has been strengthened, the fiscal deficit this year and next is expected to fall below 3 per cent of gross domestic product, and reserves are rising. GDP growth last year was 6.9 per cent, the highest in central Europe.

This week Polish interest rates were held in spite of lower year-on-year inflation of 9.9 per cent in October, compared with 10.6 per cent in September. Industrial figures published this week also suggested a slowdown.

However, Fitch IBCA says Poland has not totally escaped fall-out from the Russian crisis. With two-thirds of its exports to the EU, where growth is expected to slow, it has cut its forecast for GDP growth by 0.5 percentage points to 4.7 per cent in 1999. Khozem Merchant

Pemex doubles issue to $600m

INTERNATIONAL BONDS

By Edward Luce, Capital Markets Editor

The primary markets continued their lively pace yesterday with further signs of growing demand for lower rated credits. Pemex, the Mexican state-owned oil company, doubled its eurobond to $600m after strong demand from mainstream US institutional investors.

This, and the continued success of Argentina's $1bn bond on Wednesday, provided firm evidence that there is renewed appetite for the stronger emerging market sovereign risk.

Argentina's bond was trading about 15 basis points tighter than its launch spread of 635 basis points over the Treasury benchmark and at a lower spread if the attached options were taken into account.

The Pemex bond, which was lead-managed by Morgan Stanley, was the oil company's first visit to the markets since July. "There is definitely room out there for the Latin borrowers, but it might be more tricky for some of the Asian sovereigns," said one banker.

Oscar Funding, a special purpose vehicle set up by Orion, a Japanese auto-loan finance house, issued Japan's first international asset-backed deal in several months. Dresdner Kleinwort Benson said the $250m deal, Oscar's third, showed evidence of some risk appetite for Japanese paper.

However, it is unlikely that the long queue of Japanese asset-backed deals will shorten in the near future. "Japan is still the big question mark," said one trader.

Abbey National, the UK retail bank, also played its part yesterday with the largest subordinated bond to be issued by a foreign bank in D-Marks since the crisis in August. The subordinated market has been hit badly by the flight to quality in the past few months.

The 10-year DM1bn bond, which qualifies as lower tier two capital, was priced to yield 95 basis points over the bund benchmark.

The World Bank also participated in the feeding frenzy yesterday with a $500m offering. ABN Amro, joint lead with Lehman Brothers, said the success of the issue demonstrated there was demand in Europe for longer-dated dollar paper.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
■ US DOLLARS							
International Finance Corp	1bn	5.00	99.372R	Nov 2003	0.25R	+52(4⅛%Nov03)	Merrill/Warburg DR
TALT 98-C, Class A1(a)‡	188	(a1)	100.00R	Dec 2000	0.175R	-	CSFB/Merrill Lynch
TALT 98-C, Class A2(a)‡	424.5	(a2)	100.00R	Dec 2001	0.21R	-	CSFB/Merrill Lynch
TALT 98-C, Class A3(a)‡	78.9	(a3)	100.00R	Mar 2002	0.23R	-	CSFB/Merrill Lynch
Pemex(b)	600	9.375#	100.00R	Dec 2008	1.00R	+482½(Nov01)	Morgan Stanley DW
World Bank	500	5.50	99.286R	Nov 2013	0.375R	+65(4¾%Nov08)	ABN Amro/Lehman Bros
Province of Ontario(c)	250	5.50#	99.952	Oct 2008	0.35	+67(4¾%Nov08)	Goldman Sachs Intl
Oscar Funding Corp III(d)‡	250	(d1)	100.00R	Dec 2003	0.40R	-	DKB International
■ D-MARKS							
Abbey Natl Trsy Services	1bn	5.00(f)	99.41R	Jan 2009	0.40R	+95(f)	JP Morgan
Philipp Holzmann(f)§	500	(f)	100.00	Dec 2003	3.00	-	Deutsche Bank
■ STERLING							
World Bank	150	5.375	99.468	Dec 2001	0.1875	-	Dresdner KB
■ FRENCH FRANCS							
Caisse Natle des Autoroutes	2.6bn	4.50(f)	99.024R	Apr 2010	0.35R	+34(f)	BNP/CAI/CDC Marchés
■ SWISS FRANCS							
Roche Intl Finance Corp	1bn	2.00(f)	100.875	Mar 2003	1.75	-	Warburg Dillon Read
■ NEW ZEALAND DOLLARS							
Bayerische Landesbank	100	6.00	100.50	Dec 2003	1.875	-	TD Securities
■ BELGIAN FRANCS							
HLI -2, Class A(g)‡	18.8bn	(g1)	100.00R	Feb 2022	0.20R	-	KBC Bank

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. +Unlisted. §Convertible. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Toyota Auto Lease Trust. Legal maturities for A1-3: Dec 02, Dec 03, Feb 04. a1) 3-mth Libor +23bp. a2) 3-mth Libor +27bp. a3) 3-mth Libor +32bp. b) Puttable on 2/12/01 at par. c) Fungible with $750m. Plus 62 days accrued. d) Secured on Japanese auto loans originated by Orico. Av life: 1.6 yrs. 5% clean-up call. d1) 1-mth Libor +60bp. f) Fixing: 1/12/98. Indicated conversion premium: 7-12% and coupon: 25-50bp below govt bonds. Shareholder pre-emption rights. g) Home Loan Invest. Callable from 26/8/05. 15% clean-up call. Av life: 4.48 yrs. g1) 3-mth Bibor +21bp to Aug 05, then +42bp. g2) Class B: BFr1.2bn, 4.94 yrs, 3-mth Bibor +50bp to call. ‖ Over interpolated yield. ¶ Long 1st coupon

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

Nov 19	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	01/01	8.750	106.4252	4.56	-0.06	-0.16	+0.27	-0.43
	08/08	8.750	127.5224	5.12	-0.09	-0.13	+0.18	-0.78
Austria	07/00	5.875	103.5800	3.58	+0.05	-0.01	-0.09	-0.94
	01/08	5.000	105.4800	4.28	-0.05	-0.14	-0.13	-1.35
Belgium	01/00	4.000	100.6200	3.44	-0.01	-0.05	-	-0.90
	03/08	5.750	111.0800	4.28	-0.03	-0.11	-0.04	-1.38
Canada	12/00	5.000	100.3000	4.84	-	+0.03	+0.46	+0.70
	06/08	6.000	105.1400	5.17	-0.07	+0.02	+0.33	-0.25
Denmark	11/00	9.000	109.3600	3.96	-0.01	-0.05	-0.22	-0.80
	11/07	7.000	118.0200	4.51	-0.08	-0.14	-0.22	-1.50
Finland	01/99	11.000	101.0503	2.97	-0.09	-0.10	-0.01	-1.31
	04/08	6.000	112.6690	4.33	-0.06	-0.13	-0.16	-1.39
France	07/00	4.000	100.6232	3.46	-	-0.03	-0.02	-0.90
	10/05	7.750	123.4800	3.82	-0.03	-0.08	-0.04	-1.44
	10/08	8.500	134.8300	4.13	-0.05	-0.12	-0.12	-1.40
	04/28	5.500	106.8100	5.05	-0.07	-0.15	-0.13	-1.05
Germany	08/00	4.000	100.8100	3.45	-0.04	-0.05	+0.04	-0.77
	10/05	6.500	115.1700	3.94	-0.03	-0.12	-0.08	-1.35
	07/08	4.750	105.5000	4.04	-0.03	-0.13	-0.08	-1.49
	01/28	5.625	108.4000	5.07	-0.07	-0.15	-0.10	-1.07
Ireland	10/01	8.500	107.7500	3.65	-0.03	-0.07	-0.12	-1.74
	08/08	6.000	112.1500	4.32	-0.03	-0.12	-0.15	-1.67
Italy	04/01	4.500	101.9200	3.64	-0.03	-0.08	-0.07	-1.55
	07/03	4.500	102.7900	3.84	-0.01	-0.07	-0.09	-1.66
	05/08	5.000	105.1700	4.32	-0.03	-0.11	-0.12	-1.64
	11/27	6.500	118.0000	5.27	-0.05	-0.14	-0.16	-1.22
Japan	12/00	6.900	113.6800	0.26	+0.01	+0.02	-0.10	-0.13
	12/03	4.100	117.5200	0.59	+0.01	-	-0.09	-0.87
	06/08	1.800	108.4500	0.88	+0.01	+0.02	+0.04	-0.89
	03/18	2.700	119.3100	1.54	+0.03	+0.09	+0.12	-1.05
Netherlands	05/00	9.000	107.7300	3.49	-0.02	-0.07	+0.02	-0.87
	07/08	5.250	108.7000	4.13	-0.03	-0.13	-0.05	-1.38
New Zealand	02/01	8.000	106.0667	6.03	-0.03	-0.38	-0.09	-1.86
	07/09	7.000	111.8130	5.54	-0.01	-0.18	+0.10	-1.07
Norway	01/99	9.000	100.0980	7.87	-	-	+0.04	+3.48
	01/07	6.750	108.1000	5.49	-0.04	-0.08	-0.08	-0.22
Portugal	03/00	5.375	102.2200	3.61	+0.08	+0.05	+0.18	-1.31
	06/08	5.375	107.5900	4.38	-0.05	-0.13	-0.09	-1.55
Spain	04/00	6.750	104.3000	3.49	+0.04	-0.01	+0.01	-1.21
	01/08	6.000	112.2300	4.35	-0.03	-0.13	-0.15	-1.50
Sweden	05/00	10.250	108.8340	3.80	-0.01	-0.05	-0.42	-1.32
	05/08	6.500	114.9610	4.51	-0.05	-0.12	-0.27	-1.76
Switzerland	06/00	4.500	104.5500	1.48	+0.02	+0.02	+0.20	-0.58
	01/08	4.250	114.4500	2.46	-0.03	-0.12	-0.30	-1.10
UK	11/01	7.000	104.9900	5.16	+0.02	-0.13	-0.02	-1.95
	12/03	6.500	107.4600	4.82	+0.02	-0.15	-0.09	-1.88
	10/08	9.000	132.7400	4.60	-	-0.18	-0.28	-1.80
	12/28	6.000	124.3900	4.51	-	-0.11	-0.30	-2.02
US	08/00	4.500	99.7324	4.65	-0.03	+0.10	+0.70	-1.08
	08/03	5.250	102.5083	4.65	+0.01	+0.12	+0.54	-1.19
	05/08	5.625	105.5163	4.89	-0.03	+0.05	+0.36	-0.92
	08/28	5.500	103.2725	5.28	+0.01	-0.03	+0.23	-0.79
ECU	07/00	4.000	100.7400	3.51	-0.02	-	-0.02	-1.17
	04/08	5.250	108.0500	4.19	-0.01	-0.08	-0.07	-1.50

London closing. * New York mid-day. Source: Interactive Data/FT Information
Yields: Local market standard/Annualised yield basis. Yields shown for Italy exclude withholding tax at 12.5 per cent payable by nonresidents.

10 YEAR BENCHMARK SPREADS

Nov 19	Bid Yield	Spread vs Bunds	Spread vs T-Bonds		Bid Yield	Spread vs Bunds	Spread vs T-Bonds
Australia	5.13	+1.12	+0.28	New Zealand	5.54	+1.53	+0.69
Austria	4.17	+0.16	-0.68	Norway	5.49	+1.48	+0.64
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EMERGING MARKET BONDS

Nov 19	Red date	Coupon	S & P Rating	Bid price	Bid yield	Day's chge yield	Mth's chge yield	Spread vs US
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

London closing. Prices in US$. Standard & Poor's ratings. Source: Interactive Data/FT Information

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FF500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	109.63	110.07	+0.41	110.08	109.63	58,565	90,535

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	588,232
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	33,147

Italy

Spain

UK

US

Japan

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	104.75	105.54	+1.19	105.00	104.75	92	356

US CORPORATE BONDS

Nov 18	Red date	Coupn	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd v Govts
■ UTILITIES								
Pac Bell	07/02	7.25	AA-	105.8812	5.42	+0.04	+0.22	+0.86
NY Tel	08/25	7.00	A+	101.2984	6.89	-0.02	+0.03	+1.85
CWE	05/08	8.00	BBB	113.2241	6.13	-0.02	+0.13	+1.28
■ FINANCIALS								
GECC	05/07	8.75	AAA	119.9515	5.74	-0.02	+0.42	+0.89
Banc One	08/02	7.25	A	105.4083	5.60	+0.04	+0.12	+1.04
CNA Fin	01/18	6.95	A-	94.1590	7.52	-0.04	+0.39	+2.28
■ INDUSTRIALS								
WMX Tech	04/99	6.25	BBB+	100.1498	5.76	+0.04	+0.62	+1.45
Wal Mart	05/02	6.75	AA	105.1427	5.11	+0.05	+0.28	+0.55
Dayton Hud	06/21	9.70	A-	132.0553	6.86	-0.08	+0.07	+1.84
■ AGENCIES								
FHLMC	04/07	7.14	N/A	111.4110	5.42	-0.02	+0.24	+0.57
SLMA	03/00	7.50	N/A	102.9800	5.08	+0.02	+0.49	+0.47
FNMA	02/18	8.95	N/A	136.2462	5.79	-0.04	-0.07	+0.55
FFCB	06/06	8.95	N/A	121.8418	5.38	-0.01	+0.25	+0.53
■ HIGH YIELD								
Stone Cont	02/01	9.88	B	101.2500	0.00	-	-	-
AK Stl	12/01	9.13	BB-	106.5000	0.00	-	-	-
Pacalta	06/04	10.75	B-	87.9000	0.00	-	-	-

NY closing. Standard & Poor's ratings. Yields: semi-annual basis. Source: Interactive Data/FT Information.

US INTEREST RATES

Close — Treasury Bills and Bond Yields

Prime rate	8	One month	-	Two year	4.64
Broker loan rate	6¾	Two month	-	Three year	4.63
Fed.funds	4¾	Three month	4.44	Five year	4.62
Fed.funds at intervention	4⅞	Six month	4.54	10-year	4.85
		One year	4.54	30-year	5.25

INTERNATIONAL BONDS

Nov 19	Red date	Coupon	S & P Rating	Bid price	Bid yld	Day's chge yld	Mth's chge yld	Spread v Govts
■ EURO DM								
EIB	02/07	5.750	AAA	110.0000	4.28	-0.02	-0.04	+0.21
Spain	01/07	5.750	AA	109.8000	4.32	-0.03	-0.08	+0.25
Philip Morris	03/04	5.375	A	104.0000	4.50	+0.01	-0.04	[illegible]
Finland FRN	09/02	3.531	AA	100.5472	3.01	-0.08	-0.13	-0.57
■ EURO FFR								
Austria	01/04	5.500	AAA	106.9909	3.97	+0.04	+0.05	+0.20
Abbey Nat	02/04	6.000	AA	109.2100	4.01	+0.09	-0.06	+0.24
Cred Foncier	02/04	9.125	A	122.3800	4.26	-0.01	-0.10	+0.49
3CIF FRN	12/01	3.617	AA-	99.8879	3.46	-0.01	-0.02	-0.09
■ EURO LIRA								
EIB	02/07	7.000	AAA	118.0100	4.35	-0.04	-0.06	+0.03
Abbey Nat	02/02	8.800	AA	108.6100	3.91	+0.01	-0.06	+0.10
Walt Disney	06/00	8.625	A	106.9300	3.97	-	-0.07	+0.27
EIB FRN	03/01	4.743	AAA	100.0438	3.44	-0.01	-0.07	-0.26
■ EURO £								
EIB	12/07	7.625	AAA	115.5400	5.41	-0.03	-0.49	+0.65
Dresdner Bk	12/07	7.750	AA-	107.4285	6.63	-0.01	-0.29	+1.87
British Gas	03/00	7.625	A+	101.6504	6.27	+0.01	-0.17	+0.89
Abbey Nat FRN	02/02	7.900	AA	100.3347	4.95	-0.01	-0.29	-0.01
■ EURO $								
EIB	04/07	7.250	AAA	112.2000	5.40	-0.04	+0.17	+0.61
ABN Amro	06/07	7.125	AA-	104.0200	6.49	+0.04	+0.40	+1.70
Quebec	01/07	7.000	A+	107.1814	5.88	+0.05	+0.43	+1.09
Citicorp FRN	02/04	5.750	A+	96.2923	6.59	+0.03	+0.34	+1.95
■ EURO C$								
Bayer L-Bk	08/04	9.500	AAA	119.1244	5.50	-	+0.20	+0.17
Toronto	05/04	8.500	AA+	114.1729	5.44	-	+0.20	+0.11
Bell Canada	07/99	10.625	A+	103.1926	5.28	+0.04	+0.41	+0.96
Deutsche B FRN	09/02	5.875	AA+	101.1999	5.52	+0.02	+0.31	+0.31
■ EURO YEN								
World Bank	03/02	5.250	AAA	116.1975	0.34	+0.01	-0.13	-0.15
Spain	03/02	5.750	AA	117.5521	0.43	+0.01	-0.04	-0.06
Cred Foncier	08/02	4.750	A	114.0545	0.88	-0.01	-0.06	+0.39
Italy FRN	07/99	0.461	AA	100.0720	0.18	-0.01	+0.18	-

London closing. Source: Interactive Data/FT Information
Standard & Poor's ratings. Yields: Local market standard/Annualised basis.

UK BONDS

FTSE Actuaries Govt. Securities

Price Indices UK Gilts	Thu Nov 19	Day's change %	Wed Nov 18	Accrued interest	xd adj. ytd
1 Up to 5 years (17)	121.84	0.00	121.84	2.40	8.77
2 5-15 years (20)	173.78	-0.05	173.86	3.06	8.92
3 Over 15 years (4)	230.42	-0.02	230.48	5.19	8.20
4 Irredeemables (4)	308.85	-0.08	309.13	0.72	14.66
5 All stocks (45)	165.42	-0.03	165.48	3.19	9.03

UK Indices

	Low coupon yield Nov 19	Nov 18	Yr. ago	Medium coupon yield Nov 19	Nov 18	Yr. ago	High coupon yield Nov 19	Nov 18	Yr. ago
5 yrs	4.94	4.93	6.69	4.99	4.99	6.80	4.95	4.95	6.82
15 yrs	4.60	4.59	6.50	4.78	4.77	6.51	4.84	4.84	6.60
20 yrs	4.55	4.54	6.50	4.74	4.73	6.49	4.84	4.84	6.60
Irred.†	4.84	4.84	6.60						

Index-linked

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT Fixed Interest Indices

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

UK GILTS PRICES

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Other Fixed Interest

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CURRENCIES & MONEY

Yen bobs back up against the dollar

MARKETS REPORT

By Alan Beattie

The yen rose strongly against the dollar yesterday, as the news of Japanese political coalition building raised more hopes of a hefty fiscal stimulus.

The yen appreciated against the dollar in Asian trading and held on to those gains in Europe to end the London session at Y118.8, over two per cent up from the close of Y121.3 on Wednesday.

The yen also rose against sterling and the D-Mark, suggesting that its good performance against the dollar was more yen strength than dollar weakness. At the close of trading in London the yen had reached Y198.2 against sterling and Y70.71 against the D-mark, up from Y203.0 and Y72.75 at the previous day's close.

Two explanations were advanced for the yen's performance on the day. Some strategists saw the cause of the move as an increased confidence in the Japanese economy on the back of the ruling Liberal Democratic Party (LDP)'s progress on assembling a coalition with the Liberal Party.

Such a coalition may increase the size of the fiscal stimulus package announced earlier this week, and may rekindle hopes of a cut in the sales tax which has been widely blamed for exacerbating the recession in Japan.

But others called upon the favourite catch-all explanation that hedge funds were unwinding more of the yen carry trades many fear still loom over the market.

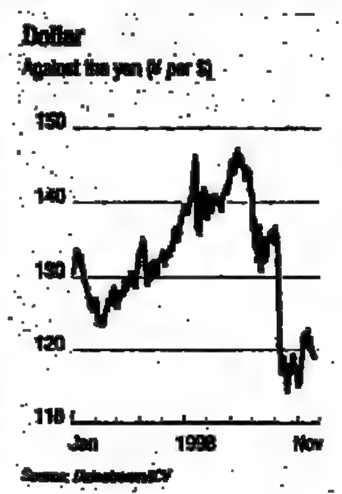
The twist on this familiar story yesterday was that the talk was more of D-Mark-yen trades spilling over into the dollar-yen rate, rather than direct dollar-yen trading.

Such talk centred mainly on the US-based Tiger fund, which was forced yesterday to deny rumours that it planned to call an emergency press conference to make an announcement about the fund's future.

■ Few market strategists thought that yen's prospects against the dollar had been fundamentally changed by the news from Japan.

"The coalition may look at Japan's problems with a somewhat more radical eye," said Keith Edmonds, chief analyst at IBJ International in London yesterday.

"But it will be hard for them to make any progress on reducing the sales tax. There are still considerable forces within the LDP arguing against any reduction, given that they went through such political difficulty to get the tax raised in the first place," he added.



Avinash Persaud of JP Morgan, speaking from Gothenburg, said that this movement was a temporary blip caused by position unwinding and that it would not prevent the dollar continuing to appreciate against the yen.

"There has been substantial unwinding of short yen trades," he said, "which is not confined to hedge funds." Mr Persaud said that such positions were "pervasive", even among less aggressive investors such as including corporates and asset management funds.

He believed that the trend for dollar-yen was firmly upwards. "But the move will be a bumpy one littered with episodes of position unwinding," he added.

JP Morgan backed up their bearish view of the yen this week with research showing that credit crunches of the kind suffered by Japan at present were inevitably followed by falls in the currency involved.

And even if Japan's rescue package succeeds, the yen will only benefit in the longer run after a depreciation in the medium term, said Mr Persaud. "History suggests that wide-ranging bank reform leads at first to currency weakness, not currency strength," he asserted.

■ To no-one's very great surprise the Bundesbank left interest rates unchanged yesterday, bolstering market beliefs that the euro will start its life with a 3.3 per cent interest rate.

The now familiar pre-meeting market jitters were more subdued than usual despite hard evidence of an economic slowdown joining the cries of politicians in arguing for interest rate reductions as soon as possible.

Yesterday's release of the Ifo business climate survey showed it falling to 92.4 in October from 94.1 in September, lower than market expectations.

■ POUND IN NEW YORK

Nov 19	—Latest—	—Prev. close—
£ spot	1.6670	1.6700
1 mth	1.6644	1.6674
3 mth	1.6604	1.6632
1 yr	1.6475	1.6495

■ OTHER CURRENCIES

Nov 19	£	$
Czech Rp	50.1858 - 50.2777	30.0970 - 30.1350
Hungary	363.584 - 363.945	217.990 - 218.140
Iran	5085.20 - 5003.40	3000.00 - 3000.00
Kuwait	0.5045 - 0.5052	0.3025 - 0.3028
Peru	5.1588 - 5.1628	3.0920 - 3.0940
Poland	5.7408 - 5.7510	3.4420 - 3.4470
Russia	29.2689 - 29.4473	17.5500 - 17.6505
U.A.E.	6.1253 - 6.1282	3.6727 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

Nov 19		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	19.7180	+0.0827	093 - 345	19.7250	19.6106	19.681	3.4	19.5580	3.2	19.1998	2.6	103.5
Belgium	(BFr)	57.7987	+0.2145	559 - 434	57.8434	57.3780	57.6354	3.4	57.33	3.3	56.2713	2.6	103.5
Denmark	(DKr)	10.6585	+0.047	514 - 616	10.6618	10.6083	10.6345	2.5	10.5912	2.5	10.4383	2.0	107.4
Finland	(FM)	8.5207	+0.0352	150 - 264	8.5284	8.4540	8.4975	3.3	8.4519	3.2	8.2965	2.6	82.9
France	(FFr)	9.3950	+0.0391	920 - 979	9.4048	9.3550	9.3688	3.4	9.3185	3.3	9.1464	2.6	107.1
Germany	(DM)	2.8024	+0.0117	014 - 034	2.8049	2.7886	2.7946	3.4	2.7801	3.2	2.7283	2.6	105.1
Greece	(Dr)	469.320	+0.589	136 - 504	471.139	467.417	471.184	-4.7	474.537	-4.4	487.223	-3.8	62.1
Ireland	(I£)	1.1275	+0.0051	269 - 281	1.1281	1.1223	1.1246	3.1	1.1188	3.1	1.0983	2.6	95.4
Italy	(L)	2773.97	+11.94	222 - 572	2775.72	2761.36	2766.86	3.1	2752.43	3.1	2702.23	2.6	78.3
Luxembourg	(LFr)	57.7987	+0.2145	559 - 434	57.8434	57.3780	57.6354	3.4	57.33	3.3	56.2713	2.6	103.5
Netherlands	(Fl)	3.1587	+0.013	585 - 608	3.1613	3.1449	3.1502	3.6	3.1332	3.4	3.0747	2.7	103.0
Norway	(NKr)	12.4697	+0.0623	668 - 725	12.4844	12.3915	12.484	-1.4	12.5079	-1.2	12.5415	-0.6	93.2
Portugal	(Es)	287.280	+1.086	145 - 415	287.467	286.302	286.509	3.2	285.004	3.2	279.675	2.6	92.8
Spain	(Pta)	238.538	+1.219	412 - 665	238.665	237.280	237.972	2.8	236.795	2.9	232.428	2.6	77.5
Sweden	(SKr)	13.4786	+0.067	678 - 893	13.4894	13.3858	13.444	3.1	13.3783	3.0	13.1677	2.3	79.5
Switzerland	(SFr)	2.3045	+0.0063	032 - 057	2.3074	2.2935	2.2938	5.6	2.2736	5.4	2.2016	4.5	108.1
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	100.8
Ecu	-	1.4248	+0.0053	241 - 255	1.4256	1.4184	1.4213	2.9	1.4141	3.0	1.3878	2.8	-
SDR†	-	1.198800	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6678	-0.0054	675 - 681	1.6714	1.6657	-	-	-	-	-	-	-
Brazil	(R$)	1.9915	-0.0017	909 - 921	1.9939	1.9886	-	-	-	-	-	-	-
Canada	(C$)	2.5831	-0.0177	818 - 844	2.5951	2.5801	2.5792	1.8	2.5718	1.7	2.5507	1.3	75.4
Mexico	(New Peso)	16.5459	-0.0804	362 - 555	16.6018	16.5200	16.9124	-26.6	17.6806	-28.9	20.6345	-24.7	-
USA	($)	1.6681	-0.0054	678 - 684	1.6717	1.6660	1.6656	1.8	1.6615	1.6	1.6482	1.2	105.9
Pacific/Middle East/Africa													
Australia	(A$)	2.5842	-0.0144	817 - 867	2.5984	2.5798	2.5798	2.1	2.5708	2.1	2.5462	1.5	81.4
Hong Kong	(HK$)	12.9176	-0.042	144 - 208	12.9448	12.9018	12.9009	1.6	12.8942	0.7	13.0606	-1.1	-
India	(Rs)	70.7776	-0.2919	481 - 069	70.9000	70.7481	70.9377	-2.7	71.6791	-5.1	75.8402	-7.2	-
Indonesia	(Rupiah)	12719.28	+0.68	358 - 497	12804.97	12270.80	13183.21	-43.8	14081.63	-42.8	16853.45	-32.5	-
Israel	(Shk)	6.9481	+0.0308	342 - 619	6.9619	6.9043	-	-	-	-	-	-	-
Japan	(Y)	198.170	-4.867	085 - 256	203.900	197.940	197.1	6.5	194.8	6.8	186.44	5.9	127.9
Malaysia	(M$)‡	6.3387	+0.0206	562 - 594	6.3521	6.3310	-	-	-	-	-	-	-
New Zealand	(NZ$)	3.0695	-0.0257	669 - 720	3.1067	3.0671	3.0615	3.1	3.0478	2.8	3.0221	1.5	92.1
Philippines	(Peso)	66.0568	-0.7150	781 - 355	66.1402	66.0322	66.5156	-8.3	67.4737	-8.6	71.3853	-8.0	-
Saudi Arabia	(SR)	6.2564	-0.0204	549 - 578	6.2685	6.2488	6.2518	0.9	6.2478	0.6	6.2438	0.2	-
Singapore	(S$)	2.7065	-0.0247	052 - 078	2.7580	2.7048	2.6951	5.1	2.6743	4.8	2.6248	3.0	-
South Africa	(R)	9.4169	-0.0603	089 - 248	9.4940	9.4029	9.5019	-10.8	9.6774	-11.1	10.4298	-10.8	-
South Korea	(Won)	2147.68	-19.5	479 - 057	2164.69	2140.41	-	-	-	-	-	-	-
Taiwan	(T$)	54.1140	-0.335	984 - 296	54.3222	54.0517	53.9744	3.1	53.898	1.6	53.8821	0.4	-
Thailand	(Bt)	60.4687	-0.2292	744 - 629	60.7320	60.2480	60.4528	0.3	60.5634	-0.6	61.9744	-2.5	-

† Rates for Nov 18. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. The exchange rates printed in this table are also available on the Internet at http://www.FT.com.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Nov 19		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan index
Europe													
Austria	(Sch)	11.8260	+0.0676	175 - 224	11.8400	11.7506	11.8042	1.6	11.7715	1.6	11.6485	1.5	103.5
Belgium	(BFr)	34.6500	+0.24	300 - 700	34.7000	34.5000	34.6035	1.6	34.504	1.7	34.14	1.5	103.6
Denmark	(DKr)	6.3884	+0.0487	865 - 903	6.3990	6.3561	6.3848	0.7	6.3743	0.9	6.333	0.9	106.7
Finland	(FM)	5.1080	+0.0375	055 - 105	5.1154	5.0822	5.1018	1.5	5.0957	1.7	5.0335	1.5	82.2
France	(FFr)	5.6322	+0.0418	314 - 329	5.6428	5.6084	5.6248	1.6	5.6083	1.7	5.5492	1.5	106.9
Germany	(DM)	1.6800	+0.0124	797 - 803	1.6830	1.6713	1.6778	1.5	1.6732	1.6	1.6552	1.5	105.0
Greece	(Dr)	281.350	+1.26	290 - 410	281.950	280.190	282.88	-6.5	285.6	-6.0	295.6	-5.1	62.0
Ireland	(I£)	1.4795	-0.0115	790 - 800	1.4870	1.4770	1.4811	-1.3	1.485	-1.5	1.5007	-1.4	-
Italy	(L)	1662.95	+12.5	220 - 370	1666.00	1654.52	1661.18	1.3	1656.56	1.5	1639.45	1.4	76.3
Luxembourg	(LFr)	34.6500	+0.24	300 - 700	34.7000	34.5000	34.6035	1.6	34.504	1.7	34.14	1.5	103.6
Netherlands	(Fl)	1.8942	+0.0139	938 - 945	1.8974	1.8847	1.8914	1.8	1.8857	1.8	1.8655	1.5	103.0
Norway	(NKr)	7.4754	+0.0614	750 - 757	7.4866	7.4245	7.4952	-3.2	7.5279	-2.8	7.609	-1.8	92.0
Portugal	(Es)	172.220	+1.205	170 - 270	172.550	171.170	172.016	1.4	171.53	1.6	169.68	1.5	93.4
Spain	(Pta)	143.000	+1.19	950 - 050	143.050	142.230	142.875	1.0	142.515	1.4	141.015	1.4	77.5
Sweden	(SKr)	8.0802	+0.0661	752 - 852	8.0959	8.0183	8.0718	1.3	8.0517	1.4	7.9889	1.1	81.1
Switzerland	(SFr)	1.3815	+0.0082	810 - 820	1.3849	1.3734	1.3771	3.8	1.3683	3.8	1.3357	3.3	108.1
UK	(£)	1.6681	-0.0054	678 - 684	1.6717	1.6660	1.6656	1.8	1.6615	1.6	1.6482	1.2	100.4
Ecu	-	1.1708	-0.0082	704 - 711	1.1785	1.1689	1.172	-1.2	1.1751	-1.5	1.1877	-1.4	-
SDR†	-	0.71640	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9998	-	998 - 998	0.9998	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	1.1939	+0.0029	937 - 940	1.1940	1.1922	-	-	-	-	-	-	-
Canada	(C$)	1.5485	-0.0056	480 - 490	1.5535	1.5470	-	-	1.5478	0.2	1.5474	0.1	75.0
Mexico	(New Peso)	9.9190	-0.016	150 - 230	9.9230	9.9100	10.154	-28.4	10.629	-28.6	12.519	-26.2	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	107.8
Pacific/Middle East/Africa													
Australia	(A$)	1.5492	-0.0036	480 - 504	1.5559	1.5449	1.5484	0.6	1.5458	0.9	1.5351	0.9	81.6
Hong Kong	(HK$)	7.7439	-0.0001	434 - 444	7.7450	7.7434	7.7452	-0.2	7.7604	-0.9	7.9239	-2.3	-
India	(Rs)	42.4300	-0.0375	200 - 400	42.4700	42.4170	42.59	-4.5	43.14	-6.7	46.0125	-8.4	-
Indonesia	(Rupiah)	7625.00	+25	500 - 500	7675.00	7475.00	7915	-45.6	8475	-44.6	10225	-34.1	-
Israel	(Shk)	4.1653	+0.0317	577 - 728	4.1728	4.1425	-	-	-	-	-	-	-
Japan	(Y)	118.800	-2.525	770 - 830	122.180	118.580	118.335	4.7	117.24	5.3	113.115	4.8	126.1
Malaysia	(M$)‡	3.8000	-	300 - 300	3.8000	3.7999	-	-	-	-	-	-	-
New Zealand	(NZ$)	1.8401	-0.0154	389 - 413	1.8622	1.8382	1.8432	-2.0	1.8486	-1.8	1.8674	-1.5	-
Philippines	(Peso)	39.6000	-0.3	000 - 000	39.7000	39.5000	39.935	-10.2	40.609	-10.2	43.2975	-9.3	-
Saudi Arabia	(SR)	3.7506	-0.0001	504 - 508	3.7508	3.7504	3.7533	-0.9	3.7601	-1.0	3.7881	-1.0	-
Singapore	(S$)	1.6225	-0.0095	220 - 230	1.6335	1.6215	1.618	3.3	1.6095	3.2	1.5925	1.8	-
South Africa	(R)	5.6453	-0.0287	415 - 490	5.6900	5.6415	5.7048	-12.6	5.8243	-12.7	6.3278	-12.1	-
South Korea	(Won)	1287.50	-7.5	000 - 900	1297.00	1286.00	-	-	-	-	-	-	-
Taiwan	(T$)	32.4405	-0.0855	370 - 440	32.4900	32.4370	32.4055	1.3	32.4355	0.1	32.6905	-0.8	-
Thailand	(Bt)	36.2500	-0.02	000 - 000	36.4100	36.1200	36.295	-1.5	36.45	-2.2	37.6	-3.7	-

† SDR rate per $ for Nov 18. ‡ Official rate set by Malaysian government. The WM/Reuters rate for the valuation of capital assets is 5.43 MYR/USD, a discount of 30% on the official rate. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Nov 18: Base average 1990=100. Bid, offer, mid spot rates and forward rates in both this and the Dollar table are derived from THE WM/REUTERS CLOSING SPOT and FORWARD RATE services. Some values are rounded by the FT.

The exchange rates printed in this table are also available on the Internet at http://www.FT.com.

WORLD INTEREST RATES

MONEY RATES

Nov 19	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.00	2.75	-
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	3.30
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.50	2.50	3.30
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.50	5.00	[illegible]
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	2.75	3.30
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	1.00	-
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	4.50	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
■ $ LIBOR BBA London								
Interbank Fixing	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
US Dollar CDs	-	4.97	4.89	4.81	4.63	-	-	-
ECU Linked Dc	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
SDR Linked Dc	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-

London interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. [illegible]

EURO CURRENCY INTEREST RATES

Nov 19	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
German Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canadian Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japanese Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.58	96.60	+0.02	96.62	96.58	1,381	42,062
Mar	96.66	96.65	+0.02	96.67	96.64	793	43,278

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jan	96.525	96.515	-	96.525	96.515	700	6345
Mar	96.605	96.600	-0.005	96.620	96.590	49859	598572
Jun	96.640	96.650	-	96.670	96.640	86891	373464
Sep	96.645	96.655	+0.010	96.675	96.640	35793	283083

■ ONE MONTH EUROMARK FUTURES (LIFFE)* DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	-	96.270	-0.020	-	-	0	4000

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.320	96.320	-	96.330	96.300	12399	172172
Mar	96.600	96.595	-0.005	96.610	96.570	4835	255578
Jun	96.660	96.645	+0.005	96.660	96.630	1795	75336
Sep	96.650	96.640	+0.010	96.650	96.630	819	45862

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	98.510	98.450	-0.020	98.510	98.420	8775	57085
Mar	98.490	98.450	-0.020	98.510	98.420	6912	52635
Jun	98.400	98.370	-0.010	98.420	98.350	2297	28174
Sep	98.300	98.270	-0.010	98.310	98.270	836	17991

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	-	99.48	-	-	-	0	na
Mar	-	99.50	-	-	-	0	na
Jun	-	99.56	-	-	-	0	na

* LIFFE futures also traded on APT

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jan	-	96.515	-	-	-	0	0
Mar	96.595	96.600	-0.005	96.595	96.595	50	5832
Jun	-	96.630	-	-	-	0	2285
Sep	-	96.635	+0.010	-	-	0	1364

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
96375	0.030	-	-	0.085	-	-
96500	0.015	0.185	0.265	0.195	0.090	0.140
96625	0.005	-	-	0.310	-	-

Est. vol. total, Calls 2135 Puts 200. Previous day's open int., Calls 71258 Puts 79633

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Nov 19		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.44	16.25	4.848	1.951	4799	5.457	21.57	497.0	412.7	23.32	3.987	1.730	4.469	2.886	342.9	2.465
Denmark	(DKr)	54.24	10	8.813	2.630	1.058	2603	2.959	11.70	269.6	223.8	12.65	2.163	0.938	2.424	1.565	186.0	1.337
France	(FFr)	61.52	11.34	10	2.983	1.200	2953	3.363	13.27	305.8	253.9	14.35	2.453	1.064	2.749	1.776	210.9	1.516
Germany	(DM)	20.63	3.803	3.353	1	0.402	989.9	1.128	4.450	102.5	85.12	4.810	0.822	0.357	0.922	0.595	70.71	0.508
Ireland	(I£)	51.25	9.452	8.333	2.486	1	2460	2.802	11.06	254.8	211.6	11.95	2.044	0.887	2.291	1.480	175.8	1.264
Italy	(L)	2.084	0.384	0.339	0.101	0.041	100	0.114	0.450	10.36	8.599	0.486	0.083	0.036	0.093	0.060	7.144	0.051
Netherlands	(Fl)	18.29	3.373	2.973	0.887	0.357	877.9	1	3.946	90.92	75.49	4.266	0.729	0.316	0.818	0.528	62.72	0.451
Norway	(NKr)	46.35	8.546	7.534	2.247	0.904	2225	2.534	10	230.4	191.3	10.81	1.848	0.802	2.071	1.338	158.9	1.143
Portugal	(Es)	20.12	3.709	3.270	0.976	0.392	965.6	1.100	4.341	100	83.03	4.692	0.802	0.348	0.899	0.581	68.96	0.496
Spain	(Pta)	24.23	4.467	3.939	1.175	0.473	1163	1.325	5.228	120.4	100	5.650	0.966	0.419	1.083	0.699	83.06	0.597
Sweden	(SKr)	42.88	7.906	6.970	2.079	0.837	2058	2.344	9.252	213.1	177.0	10	1.710	0.742	1.916	1.238	147.0	1.057
Switzerland	(SFr)	25.08	4.624	4.077	1.216	0.489	1204	1.371	5.411	124.7	103.5	5.849	1	0.434	1.121	0.724	85.99	0.618
UK	(£)	57.80	10.66	9.395	2.802	1.127	2774	3.160	12.47	287.3	238.5	13.48	2.304	1	2.583	1.668	198.2	1.425
Canada	(C$)	22.38	4.126	3.637	1.085	0.436	1074	1.223	4.828	111.2	92.35	5.218	0.892	0.387	1	0.646	76.72	0.552
USA	($)	34.65	6.388	5.632	1.680	0.676	1663	1.894	7.475	172.2	143.0	8.080	1.382	0.599	1.549	1	118.8	0.854
Japan	(Y)	29.17	5.377	4.741	1.414	0.569	1400	1.594	6.292	145.0	120.4	6.802	1.163	0.505	1.303	0.842	100	0.719
Ecu		40.57	7.480	6.594	1.967	0.791	1947	2.218	8.752	201.6	167.4	9.460	1.617	0.702	1.813	1.171	139.1	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.5987	0.5988	-0.0004	0.5990	0.5963	14,859	66,579
Mar	0.6000	0.5993	-0.0004	0.6001	0.5993	67	1,596
Jun	-	0.6020	+0.0002	0.6020	-	5	1,170

■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.8244	0.8450	+0.0187	0.8470	0.8203	8,163	78,005
Mar	0.8329	0.8552	+0.0188	0.8552	0.8330	188	5,630
Jun	0.8630	0.8640	+0.0178	0.8650	0.8630	3	3,252

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.7268	0.7272	+0.0003	0.7286	0.7251	8,334	38,986
Mar	0.7349	0.7342	-0.0007	0.7356	0.7338	23	502
Jun	-	0.7410	+0.0016	0.7410	-	1	23

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.6682	1.6674	+0.0004	1.6700	1.6650	6,878	49,285
Mar	1.6600	1.6616	-	1.6650	1.6600	103	1,840
Jun	-	1.6550	-0.0010	1.6550	1.6550	4	1,202

UK INTEREST RATES

LONDON MONEY RATES

Nov 19	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills	-	-	[illegible]	[illegible]	-	-
Bank Bills	-	-	[illegible]	[illegible]	[illegible]	-
Local authority deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Market deps	[illegible]	[illegible]	-	-	-	-

UK clearing bank base lending rate 6¾ per cent from Nov 5, 1998

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	4	5.5	5.5	5.25	5.25

Certs of Tax dep. under £100,000 is 4pc. Deposits withdrawn for cash 1pc. [illegible]

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.250	93.230	-0.010	93.250	93.210	12116	201140
Mar	93.780	93.780	-	93.800	93.730	14147	164814
Jun	94.170	94.150	-	94.180	94.120	10346	144690
Sep	94.340	94.315	-0.005	94.360	94.290	9304	144428
Dec	94.320	94.295	-0.005	94.320	94.260	[illegible]	142442

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
93000	0.245	0.810	1.165	0.015	0.030	0.035
93125	0.145	-	-	0.040	-	-
93250	0.065	0.580	0.960	0.085	0.050	0.080
93375	0.030	-	-	0.175	-	-
93500	0.015	0.375	0.755	0.285	0.110	0.100
93625	0.005	-	-	-	-	-

Est. vol. total, Calls 18032 Puts 14163. Previous day's open int., Calls 331741 Puts 328123

EMS EUROPEAN CURRENCY UNIT RATES

Nov 19	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Greece	357.000	328.807	+0.198	-7.90	7.80	53
Denmark	7.54257	7.44588	+0.00218	-1.28	0.99	[illegible]
Ireland	0.786244	0.797825	+0.000287	-1.35	0.12	[illegible]
Spain	168.220	166.520	+0.049	-1.01	0.11	[illegible]
France	6.63186	6.59821	+0.00214	-0.50	0.09	[illegible]
Italy	1957.61	1958.39	+0.950	-0.98	0.08	[illegible]
Germany	1.97738	1.96913	+0.00064	-0.57	0.07	[illegible]
Austria	13.9119	13.7783	+0.0031	-0.97	0.07	[illegible]
Finland	6.01125	5.95356	+0.001	-0.96	0.06	[illegible]
Belgium	40.7844	40.3634	+0.0145	-0.96	0.06	[illegible]
Portugal	202.692	200.642	+0.087	-0.81	0.07	[illegible]
Netherlands	2.22799	2.20791	+0.00074	-0.90	0.00	[illegible]

NON ERM MEMBERS

UK	0.633644	0.698611	-0.0017	7.08	-7.44	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. [illegible]

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Nov	CALLS Dec	CALLS Jan	PUTS Nov	PUTS Dec	PUTS Jan
1.670	1.15	1.29	2.43	1.34	2.24	2.82
1.680	0.49	1.44	2.00	1.84	2.77	3.40
1.690	0.08	1.23	1.65	2.51	-	-

Previous day's vol., Calls 10 Puts 122. Prev. day's open int., Calls 548 Puts 3,668

■ PHILADELPHIA SE D-MARK OPTIONS DM62,500 (§ per DM)

Strike Price	CALLS Nov	CALLS Dec	CALLS Jan	PUTS Nov	PUTS Dec	PUTS Jan
0.5950	0.57	1.22	1.14	0.43	0.72	0.98
0.6000	0.42	0.78	1.12	0.69	0.97	1.23
0.6050	0.28	0.61	0.71	1.02	1.27	1.53

Previous day's vol., Calls n/a Puts n/a. Prev. day's open int., Calls n/a Puts n/a

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.86	94.83	-0.02	94.86	94.82	108,063	493,228
Mar	95.19	95.15	-0.03	95.19	95.15	160,454	509,030
Jun	95.22	95.20	-0.02	95.23	95.16	112,295	419,541

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	95.73	95.74	+0.01	95.74	95.73	63	1,829
Mar	95.99	95.98	-0.02	95.99	95.98	33	2,630
Jun	-	96.10	-	-	-	-	30

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Dec	CALLS Jan	CALLS Feb	CALLS Mar	PUTS Dec	PUTS Jan	PUTS Feb	PUTS Mar
96325	0.040	-	-	-	0.040	-	-	-
96500	0.025	0.140	0.180	0.145	0.040	0.060	0.060	-
96625	0.010	-	-	-	0.090	-	-	-
96750	0.005	0.040	0.075	0.120	0.160	0.160	0.200	0.225

Est. vol. total, Calls 25566 Puts 26571. Previous day's open int., Calls 893675 Puts 487103

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
98500	0.070	0.160	0.120	0.210	0.335	-
98625	0.005	-	0.203	-	-	-

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 13247 Puts 4467

BASE LENDING RATES

	%		%		%
Adam & Company	6.75	Exeter Trust Limited	7.75	Smith & Williamson	6.75
Allied Irish Bank (GB)	6.75	Financial & Gen Bank	8.00	Sun Bank	6.75
•Henry Ansbacher	6.75	•Robert Fleming & Co	6.75	TSB	6.75
Banco Bilbao Vizcaya	6.75	Habib Bank AG Zurich	6.75	United Bank of Kuwait	6.75
Bank of Cyprus	6.75	•Heritable & Gen Inv Bk	6.75	Unity Trust Bank Plc	6.75
Bank of Ireland	7.50	•C. Hoare & Co	6.75	Whiteaway Laidlaw	6.75
Bank of India	6.75	Hongkong & Shanghai	6.75	Yorkshire Bank	6.75
Bank of Scotland	6.75	Investec Bank (UK) Ltd	6.75		
Barclays Bank	6.75	Julian Hodge Bank	6.75	• Members of London Investment Banking Association	
Brit Bk of Mid East	6.75	•Leopold Joseph & Sons	6.75		
•Brown Shipley & Co Ltd	6.75	Lloyds Bank	6.75		
Citibank NA	6.75	Midland Bank	6.75		
Clydesdale Bank	6.75	NatWestminster	6.75		
The Co-operative Bank	6.75	•Rea Brothers	6.75		
Coutts & Co	6.75	Royal Bk of Scotland	6.75		
Cyprus Popular Bank	7.25	Scottish Widows Bank	6.75		
Duncan Lawrie	6.75	•Singer & Friedlander	6.75		

COPPER REPORT SAYS INDUSTRY NOW SUFFERING FROM OVERCAPACITY

Smelter rationalisation expected

By Kenneth Gooding, Mining Correspondent

The copper industry, which until the mid-1990s was suffering from a shortage of smelting capacity, now has too much, according to the Salomon Smith Barney financial services group.

"We expect to see a severe rationalisation among smelting capacity in the next several years," write Leanne Baker and John Rutledge in an industry report.

Decisions to close high-cost smelters may be made easier because they would need costly upgrades to meet tighter emissions standards.

"One or more producers in the south-western US eventually will choose to shut smelting capacity, given the overcapacity that exists in the mature producing region," the authors add.

In spite of the commissioning of several new smelters and smelter expansions, western world smelter output is likely to fall by 1 per cent this year to 8.5m tonnes, the analysts suggest.

Smelters are suffering from shortages of raw materials, including scrap and concentrate (an intermediate material). There will be little respite for many custom smelters - those that process other companies' raw materials for a fee - including smelters in Japan.

One problem at present for the smelters is that scrap is in short supply. Scrap represents about 50 per cent of copper supply in the US and western Europe, the world's two largest consuming areas, and about 33 per cent of western world supply.

Russian scrap exports are down nearly 25 per cent because the former military establishments from which a great deal was recovered have now been demolished.

"This is having a marked effect on the availability of scrap in western Europe, which may lead to a rationalisation of secondary smelters and refiners there," the Salomon report suggests.

After several years of taking a bearish stance towards copper, Salomon says it is now "neutral".

It suggests the price is already discounting recessions in the US and Europe. While prices might fall below 70 cents a pound ($1,543 a tonne) briefly, copper is most likely to trade at 70 to 90 cents for the rest of this year and 1999.

Adding value to African gold

Marketing the precious metal is a new concept to South African producers but there are converts to the idea, says Victor Mallet

When Bobby Godsell, president of South Africa's Chamber of Mines, presented a gold medallion to Penuell Maduna, minister of minerals and energy, this month he announced that as a result of the gift Mr Maduna "will become a criminal".

He was only half joking. "It is not legal to give South Africans pieces of gold that are not wrought gold or legal tender," Mr Godsell explained.

A ban on the sale of gold within the borders of the world's biggest producer is just one of the many obstacles to the marketing of gold with added value rather than just as a commodity.

The concept of adding value has been successfully adopted for two other precious commodities whose production is dominated by South African companies, diamonds and platinum.

De Beers, which runs the global diamond cartel under the marketing slogan "a diamond is forever", spends $200m a year on promoting diamond jewellery worldwide. It is also testing the sale of diamonds branded with the De Beers name in tiny script that can be read only by microscope.

Anglo American Platinum (Amplats), a sister company of De Beers, is equally insistent on the need for marketing to promote the sale of platinum, if only because jewellery accounts for 44 per cent of demand.

"Platinum jewellery needs constant promotional support," Barry Davison, Amplats' managing director, told the Chamber of Mines annual meeting last month.

Can the same sort of promotion work for gold? Some South African gold mine executives remain sceptical.

Tom Dale, managing director of Gold Fields, says gold producers should focus on lifting restrictions on gold trading, such as those in South Africa; promoting the monetary role of gold; and continuing to press central banks not to dump their stocks.

"I don't believe our industry should do jewellery marketing," he says. "If you think you can get a lot of money together and market gold, you're in for a shock," Mr Dale says.

However, there are converts to the idea of adding value to South African gold and exploiting the country's position as the dominant producer.

Mr Godsell's Anglogold, the world's largest gold mining company, has dipped its toe in the water by promising to expand its gold marketing activities and launching a gold jewellery design competition called "Riches of Africa".

Last year 800m people bought gold, Mr Godsell said at the launch of the competition, and 1.6bn items of gold jewellery were sold around the world.

Harmony, the independent gold mining company, has gone one step further by setting up its own small gold refinery and producing branded gold bars for sale through LG Group of South Korea and other traders, in the hope of earning a premium price for its output.

However, the response has been disappointing, perhaps because Harmony, unlike the big Rand Refinery that processes the rest of the country's gold output, has no hallmark from the London Bullion Market Association.

In South Africa the most bullish gold marketer of all is Sarah Da Vanzo, the American director of Consolidated Bullion, a newly formed marketing subsidiary of the Kebble family's Consolidated African Mines.

Liquid assets: marketers want to exploit the country's dominance

Ms Da Vanzo points out that consumers already differentiate between various types of gold bar, with Johnson Matthey bullion preferred in India and Degussa or Swiss brands favoured elsewhere.

Some bars, such as those made by Pamp, are adorned with a variety of chic holograms. Swiss banks, Ms Da Vanzo says, simply melt down gold from the Rand Refinery and rebrand it.

"Gold in itself is a commodity, but gold as it is traded in the world is not a commodity because it has been manufactured," she says.

Her solution is part technology, part marketing. High-value 24 or 22-carat gold for jewellery can be treated to make it harder and less liable to scratch, and gold can be made brittle so a large amount can be broken up into convenient units. She demonstrates with an object that looks and feels like a very heavy bar of chocolate.

As for marketing, the key is to sell the "emotional cachet" of Africa and the image of a hot sun long associated with gold. Ms Da Vanzo promises to launch an "African" brand of gold soon but accepts that it will take time before her ideas are embraced by the gold mines.

Talk of initiative by Opec lifts oil

MARKETS REPORT

By Robert Corzine, Kenneth Gooding and Paul Solman

Crude oil prices steadied yesterday after renewed weakness earlier this week sent the Brent Blend futures contract to a new low of $11.15 a barrel.

The bellwether Brent Blend for January delivery was quoted at $11.60 a barrel in late trading on London's International Petroleum Exchange, five cents up on its close on Wednesday.

Prices were supported by suggestions that the Organisation of Petroleum Exporting Countries may try at its meeting next week to turn round the pessimistic sentiment in the market.

An Algerian envoy is to visit other Opec capitals to see whether there are grounds for further action.

Speculation that US copper producers were preparing to shut some smelting capacity because of low prices and raw materials shortages swept the London Metal Exchange. This helped to support the price which, even so, ended $9 a tonne lower at $1,593 a tonne.

On the London bullion markets, palladium showed a delayed reaction to Johnson Matthey's forecast on Tuesday of a 1m troy ounce supply deficit this year. By the close the price was $11, or nearly 4 per cent, higher at $300.50 an ounce.

Weak buying interest knocked cocoa futures prices on the London International Financial Futures and Options Exchange yesterday, with the December contract dropping to a contract low of £962 a tonne at one point compared with Wednesday's close of £975.

By the close, the price had recovered by £1 to £963 a tonne, while the March contract ended down £10 at £1,000 a tonne.

Crude palm oil increases market share

By Paul Solman

While commodity prices continue to suffer the effects of the Asian crisis, crude palm oil (CPO) has fared better than most.

Fears of falling demand and oversupply have pushed commodities such as cocoa and sugar to new lows but CPO consumption has risen steadily, keeping the sector relatively strong.

"Cash prices for CPO are over $600 a tonne and have stayed above $450 for most of the past two years," said Andrew Hamilton, of the Commonwealth Development Corporation, which finances and manages palm oil businesses throughout the Asia-Pacific region.

CPO is extracted by crushing fruit bunches harvested from oil palms and is used widely in Asia to make vegetable oil for cooking, soap, margarine and cosmetics.

Mr Hamilton said Asia had been consuming increasing quantities of vegetable oil in recent years. Consumption of vegetable oils rose 8.3 per cent in China and 4.4 per cent in India between 1992 and 1997, according to Oil World, the industry journal.

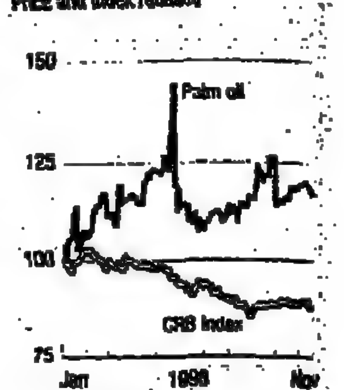
"It's partly the result of population growth," Mr Hamilton said. "But there has also been a rise in per capita income in low income countries. This has meant more money has been spent on fats and oils. To be simplistic, families have moved from boiling to frying food."

Soybean oil remains the largest source of cooking oil in Asia, but palm oil is steadily winning market share and should overtake soybean oil in the near future, Mr Hamilton said.

During the past 10 years, CPO production has risen from 4m tonnes a year to 16m tonnes last year. Soybean oil, rose from 13m tonnes to 20m tonnes over the same period.

Palm oil

Price and index rebased



Source: Datastream/ICV

"Soybean oil is a by-product of soybeans, but the main product is soybean meal. It's also an annual crop and can be grown on the same land as grain, so farmers tend to shift out of it if they think they will be better off with grain," Mr Hamilton said. "Because of this, the shortfall in demand for vegetable oil is being satisfied by palm oil."

Indonesia and Malaysia produced 5m tonnes and 8m tonnes of palm oil respectively last year, but smaller producers in the Asia-Pacific region include Papua New Guinea, Thailand, the Philippines and the Solomon Islands.

Oil palms tend to be grown on sprawling plantations, and CPO production requires mills that can process about 60 tonnes an hour, with one tonne of oil palm fresh fruit bunches yielding 19 to 24 per cent CPO.

Barriers for entry into palm oil production are high. "Mill start-up costs tend to be at least $100m," Mr Hamilton said. "For that reason, palm oil processing plants are usually owned by large companies or corporations."

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1297-8	1307-08
Previous	1303.5-04.5	1317-17.5
High/low		1318/1300
AM Official	1294-95	1305-5.5
Kerb close		1305-06
Open int.	330,875	
Total daily turnover	62,265	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1085-90	1114-17
Previous	1090-95	1120-25
High/low		1117/1115
AM Official	1082-87	1114-15
Kerb close		1114-15
Open int.	7,257	
Total daily turnover	2,412	

■ LEAD ($ per tonne)

Close	504.5-5.5	502.5-3.0
Previous	500-1	501-1.5
High/low		506/500
AM Official	504.5-5.0	504.5-5.0
Kerb close		499-500
Open int.	39,931	
Total daily turnover	15,551	

■ NICKEL ($ per tonne)

Close	4175-85	4245-50
Previous	4170-80	4240-50
High/low		4265/4235
AM Official	4190-200	4260-65
Kerb close		4250-55
Open int.	63,994	
Total daily turnover	12,987	

■ TIN ($ per tonne)

Close	5495-505	5460-70
Previous	5440-50	5405-10
High/low		5490/5435
AM Official	5485-90	5455-60
Kerb close		5460-65
Open int.	18,673	
Total daily turnover	10,816	

■ ZINC, special high grade ($ per tonne)

Close	987-8	984-5
Previous	965.5-6.5	983-4
High/low		982/984
AM Official	988.5-89.0	985.5-86
Kerb close		983-4
Open int.	85,319	
Total daily turnover	23,933	

■ COPPER, grade A ($ per tonne)

Close	1568.5-9.5	1594.5-5.5
Previous	1572.5-73.5	1599-600
High/low		1608/1581
AM Official	1569-70	1596-96.5
Kerb close		1592-3
Open int.	168,239	
Total daily turnover	37,639	

■ LME AM Official £/$ rate: 1.6704

LME Closing £/$ rate: 1.6675

Spot: 1.6681 3 mths: 1.6618 6 mths: 1.6552 9 mths: 1.6516

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	71.00	-0.55	71.60	70.80	267	751
Dec	71.15	-0.60	72.00	70.90	6,666	30,164
Jan	71.45	-0.60	71.80	71.55	32	2,471
Feb	71.80	-0.60	71.85	71.85	12	1,357
Mar	72.10	-0.60	72.60	72.60	2,548	15,926
Apr	72.40	-0.60	72.60	72.75	19	1,282
Total					9,857	70,579

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	296.00-296.50		
Opening	297.65-298.25		
Morning fix	297.85	178.402	408.544
Afternoon fix	296.35	177.615	406.657
Day's High	298.25-298.65		
Day's Low	295.90-296.30		
Previous close	296.00-297.40		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.42	6 months	3.88
2 months	4.28	12 months	3.54
3 months	4.24		

Silver Fix	p/troy oz.	US cts equiv.
Spot	300.18	501.00

Silver Lending Rates

1 month	4.35	6 months	2.70
2 months	3.70	12 months	2.40
3 months	3.50		

Gold Coins	$ price	£ equiv.
Krugerrand	296-300	177-180
New Sovereign	69-73	41-44

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	295.8	-2.0	-	-	-	3
Dec	296.1	-2.1	298.9	296.0	40,440	48,627
Feb	298.1	-2.2	301.2	298.0	9,081	28,111
Apr	300.0	-2.3	303.2	300.6	378	16,755
Jun	301.7	-2.3	304.8	302.0	559	14,413
Aug	303.3	-2.4	306.5	306.5	13	5,802
Total					51,630	158,795

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

Jan	362.3	+9.9	363.0	354.5	1,915	14,380
Apr	362.3	+8.9	362.0	359.0	88	616
Jul	363.7	+8.9	350.0	350.0	62	195
Oct	365.0	+8.9	355.0	355.0	18	993
Total					2,066	16,185

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

Dec	306.60	+14.10	310.00	295.00	1,484	1,186
Mar	305.10	+13.60	310.00	295.00	270	1,497
Jun	303.10	+13.60	-	-	2	5
Total					1,754	2,813

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

Nov	494.2	-2.2	-	-	70	60
Dec	495.0	-2.2	501.0	494.0	11,088	33,641
Jan	497.2	-2.2	510.0	510.0	-	88
Mar	500.7	-2.2	505.5	500.0	3,107	22,981
May	503.5	-2.1	507.0	504.5	257	5,110
Jul	505.9	-2.1	507.0	503.5	89	5,693
Total					14,635	76,888

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	12.23	+0.09	12.56	12.10	61,287	34,887
Jan	12.85	+0.09	12.98	12.78	102k	130k
Feb	13.20	+0.08	13.30	13.14	28,245	53,472
Mar	13.55	+0.08	13.65	13.49	106	35,847
Apr	13.84	+0.09	13.91	13.78	4,690	17,752
May	14.19	+0.18	14.19	14.07	1,606	16,746
Total					228,620	583,731

■ CRUDE OIL IPE ($/barrel)

	Spm price	Day's change	High	Low	Vol	Open int
Jan	11.61	+0.06	11.73	11.56	12,738	96,248
Feb	11.93	+0.03	12.07	11.89	5,200	31,333
Mar	12.24	+0.05	12.34	12.19	3,925	21,489
Apr	12.53	+0.06	12.59	12.50	608	16,741
May	12.80	+0.07	12.84	12.77	455	9,658
Jun	13.04	+0.06	13.09	13.03	869	18,556
Total					n/a	n/a

■ HEATING OIL NYMEX (42,000 US galls, c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	35.15	+0.44	35.60	34.95	23,405	40,661
Jan	36.50	+0.27	36.90	36.40	17,476	50,252
Feb	37.55	+0.22	38.15	37.40	7,160	29,849
Mar	38.30	+0.22	38.70	38.10	5,288	21,746
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ GAS OIL IPE ($/tonne)

[illegible]

■ NATURAL GAS IPE (1,000 therms; pence per therm)

[illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

[illegible]

■ UNLEADED GASOLINE NYMEX (42,000 US galls; c/US galls.)

[illegible]

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	77.90	-0.25	78.75	78.75	58	15
Jan	78.90	-0.50	79.25	78.80	113	2,519
Mar	80.90	-0.50	81.25	80.75	205	3,120
May	82.90	-0.50	83.25	82.75	187	2,262
Jul	84.90	-0.50	85.00	85.00	31	220
Total					588	8,011

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

Dec	291.00	-2.00	294.00	289.75	12,153	51,528
Mar	307.75	-2.00	310.50	306.00	9,014	54,715
May	317.25	-1.25	318.25	316.00	593	7,388
Jul	327.25	-1.25	329.00	325.50	2,330	17,958
Sep	335.00	-1.50	335.50	334.50	50	805
Dec	348.50	-1.00	347.00	346.00	51	871
Total					27,087	139,288

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

Dec	220.25	-1.00	223.00	218.75	19,045	128,587
Mar	231.75	-1.00	234.50	230.50	11,322	114,260
May	239.50	-0.75	242.00	238.00	2,272	36,512
Jul	245.00	-0.75	248.00	243.50	1,988	44,729
Sep	250.00	-1.00	252.50	249.00	128	7,048
Dec	256.00	-0.75	257.50	254.50	679	20,290
Total					43,888	353,174

■ BARLEY LIFFE (100 tonnes; £ per tonne)

Nov	78.25	+0.75	-	-	-	-
Jan	79.25	+0.15	79.25	79.10	35	815
Mar	81.25	-	81.25	81.25	36	230
May	82.25	-	82.25	82.25	-	33
Sep	81.00	-	-	-	-	-
Total					72	1,078

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

Jan	582.00	-2.50	586.50	578.00	24,887	68,544
Mar	591.00	-2.50	595.75	587.50	5,071	29,177
May	599.75	-2.25	603.75	598.25	1,238	13,429
Jul	608.00	-1.50	611.50	604.00	2,889	18,097
Aug	608.50	-1.75	610.00	607.00	24	1,304
Sep	606.00	-2.50	608.50	606.00	85	200
Total					40,504	142,086

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

Dec	24.79	-0.10	24.98	24.70	8,446	35,962
Jan	24.94	-0.08	25.08	24.85	5,272	23,500
Mar	25.11	-0.05	25.22	25.02	2,287	22,002
May	25.21	-0.04	25.25	25.09	422	10,902
Jul	25.31	-0.02	25.40	25.16	1,152	13,280
Aug	25.31	-0.01	25.30	25.20	84	1,184
Total					18,207	112,932

■ SOYABEAN MEAL CBT (100 tons; $/ton)

Dec	146.7	-1.2	149.3	145.5	7,617	49,950
Jan	148.9	-1.3	151.4	147.8	5,747	28,750
Mar	152.7	-1.3	155.5	152.0	2,287	19,693
May	156.3	-1.1	159.0	156.1	504	11,119
Jul	159.7	-1.5	162.3	159.5	716	15,424
Aug	161.4	-1.2	162.8	161.3	15	2,741
Total					19,535	134,909

■ POTATOES LIFFE (20 tonnes; £ per tonne)

Mar	205.0	-	-	-	-	-
Apr	285.0	+10.0	289.0	281.0	248	1,954
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

[illegible]

PULP AND PAPER

■ PIX PULP ONLY (US$; 24 air dry tons)

[illegible]

FUTURES DATA

All futures data supplied by CMS.

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	963	-12	975	962	3,908	32,290
Mar	1000	-10	1010	999	2,026	42,112
May	1020	-10	1026	1019	2,058	19,880
Jul	1036	-10	1042	1035	772	10,344
Sep	1054	-10	1060	1054	227	27,736
Dec	1078	-8	1081	1078	690	12,484
Total					9,781	157,651

■ COCOA CSCE (10 tonnes; $/tonnes)

Dec	1467	-16	1476	1465	118	2,162
Mar	1495	-21	1508	1494	1,438	42,634
May	1521	-20	1533	1521	436	11,461
Jul	1546	-20	1559	1553	23	2,709
Sep	1573	-19	1582	1575	13	3,480
Dec	1603	-19	1612	1610	42	5,269
Total					2,120	71,916

■ COCOA (ICCO) (SDR's/tonne)

Nov 18	Price	Prev. day
Daily	1165.64	1162.47

■ COFFEE LIFFE (5 tonnes; $/tonne)

Nov	2121	-8	2150	2120	154	4,404
Jan	1643	-1	1648	1633	1,890	20,863
Mar	1602	+3	1604	1594	983	10,235
May	1583	+3	1584	1575	325	4,586
Jul	1568	+5	1565	1560	32	1,289
Sep	1553	+5	1555	1540	114	467
Total					3,498	42,094

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

Dec	110.85	+0.35	111.25	108.75	1,848	1,915
Mar	110.05	+0.05	110.50	108.20	6,315	18,531
May	110.05	-0.45	111.00	108.80	378	5,159
Jul	110.50	-0.80	110.50	110.00	70	2,152
Sep	111.25	-0.85	111.50	111.00	57	1,474
Dec	112.40	-0.85	-	-	11	731
Total					8,679	30,016

■ COFFEE (ICO) (US cents/pound)

Nov 18		Prev. day
Comp. daily	96.24	97.27
15 day average	96.51	98.43

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

Mar	243.9	-3.2	246.0	243.7	2,441	19,702
May	244.7	-2.6	247.1	244.1	582	4,560
Aug	245.7	-2.1	247.1	245.5	164	3,313
Oct	239.5	-3.2	241.6	241.0	111	3,504
Dec	243.0	-3.0	245.5	243.8	55	240
Mar	245.0	-2.7	243.5	242.0	40	578
Total					3,201	31,897

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

Mar	8.33	-0.13	8.48	8.32	8,794	84,310
May	8.44	-0.09	8.55	8.43	1,857	18,329
Jul	8.45	-0.11	8.57	8.45	285	17,529
Oct	8.64	-0.06	8.73	8.64	337	12,592
Mar	8.88	-0.08	8.94	8.90	33	7,938
May	8.94	-0.08	8.98	8.95	104	1,321
Total					12,421	142,581

■ COTTON NYCE (50,000lbs; cents/lbs)

[illegible]

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

[illegible]

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

[illegible]

Wool from Mallett & Co

[illegible]

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

[illegible]

■ LEAN HOGS CME (40,000lbs; cents/lbs)

[illegible]

■ PORK BELLIES CME (40,000lbs; cents/lbs)

[illegible]

LONDON TRADED OPTIONS

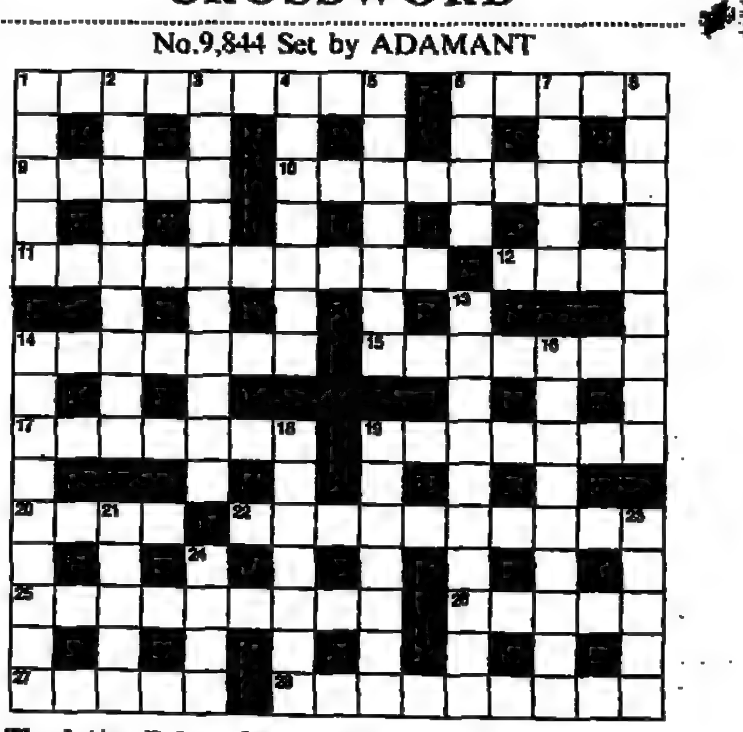
[illegible]

LONDON SPOT MARKETS

[illegible]

CROSSWORD

No.9,844 Set by ADAMANT



The letter D has the same meaning throughout

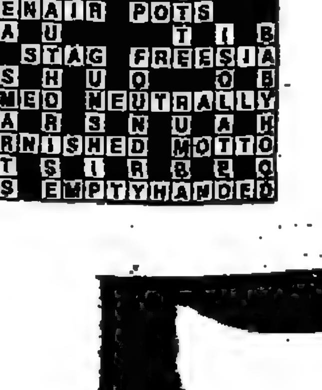
ACROSS

1 Sick bed? On the contrary, with one working for D (9)
6 D with beat and energy (5)
9 Bed and breakfast outside England, with work for D (2-3)
10 Fred and Alan love version of Provencale D (9)
11 Prince not coming back to D (10)
12 In France I include four for D (4)
14 Main types of holiday (7)
15 Having, the money for glue to sniff .... (7)
17 .... they stagger around in D (7)
19 Union dues (7)
20 Round D (4)
22 Cheerful chancellor's D (3,7)
25 D positions evolved from a destitute detail (9)
26 Henry always insisted that industrial leaders come to the island (5)
27 The answer to D and another church (5)
28 Final D for Matilda, perhaps (4,5)

DOWN

1 Potential scout in charge of die-shaped object (5)
2 But a later movement could produce such a picture (9)
3 Puts a gleam on cheek? No, they add sheen to mouths (8,7)
4 Fitness disturbed by swarms (7)
5 Souvenir I dropped, being upset and lacking confidence (7)
6 Time to finish, nurse (4)
7 Ruthless? She never was! (5)
8 A poster about ET, the musical versions (9)
13 Rivers, and the way in which they make a blooming exhibition (6,4)
14 Stiff paper on Jack perhaps on the table (9)
16 Leader of trio, ideal arranger (9)
18 Can the young man make a comeback after second example of sleaze? (7)
19 Summaries set out in archaeological sites (7)
21 Language that should be left at home (5)
23 Points to father leaving pizza – what a cheat! (5)
24 Way to the old spot (4)

Solution 9,843



Crude palm oil increases market share

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (FSA RECOGNISED)

Fidelity Currency Funds Ltd

Pembroke Hall, Pembroke, Bermuda

Prices for dealing November 18

Jupiter Asset Management (Bermuda) Ltd

PO Box HM1125A, Hamilton, Bermuda 001 441 292 2789

Newport Investment Management

Orion Fund Limited

Orion (Gtd) Oct 15 $27.38

BERMUDA (REGULATED)(**)

Marshall Wace Asset Management Limited

Masters International Advisors

Montgomery Emerging Markets Fund Ltd

Morgan Stanley Offs Advisory Mortgage Fd Inc

National Investment Trust Company Ltd

North Atlantic Management Co Ltd

Olympus Capital Management Ltd

Omega Overseas Partners Ltd

Opportunity Fund (z)

Orion Capital Advisors Ltd

The Osprey Group Of Funds

Pacific & General Investments Inc

Pakistan Fund

Paulson International Ltd

NAV Oct 31 $127.43

Perry Partners International Inc

NAV Oct 31 $198.04

Philippine Income Fund Inc

NAV Nov 11 $7.98

Pro Valeur AG

European Focus Nov 13 DM220.442

Prospector Fund Management Ltd

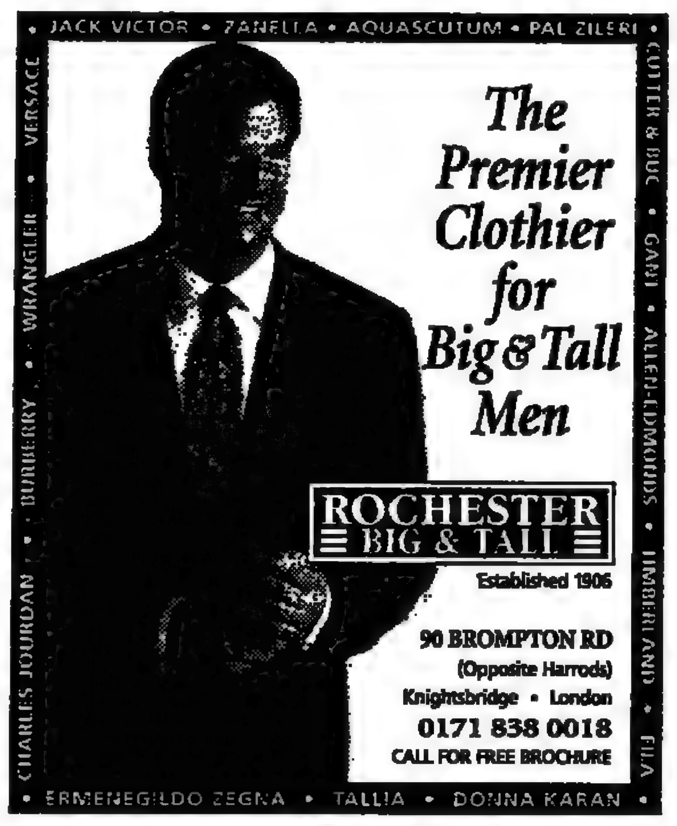
Prudential Securities Futures Mgmt, Inc

CAYMAN ISLANDS (REGULATED)(**)

GUERNSEY (REGULATED)(**)

GUERNSEY (FSA RECOGNISED)

IRELAND (FSA RECOGNISED)



IRELAND (REGULATED)(**)

ISLE OF MAN (FSA RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (FSA RECOGNISED)

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

JERSEY (REGULATED)(**)

Selling Price | Buying Price | + or - | Yield Gross

ABSA Offshore Fund Managers (Jersey) Ltd

AIB Govett Management (Jersey) Limited

Bank of Ireland Asset Mngmt (Jersey) Ltd

Barclays Global Investors Jersey Ltd

Barclays Intl Funds

Citibank N.A.

Coutts (Jersey) Fund Managers Ltd

Fleming Group

Foreign & Colonial Mngmt (Jersey) Ltd

INVESCO International Limited

Jupiter Asset Management (Jersey) Ltd

Lazard Fund Administration Services (CI) Ltd

Lazard Investment Funds (CI) Ltd

Liberty International Asset Management

Lloyds TSB Fund Managers (CI) Ltd

Lombard Odier (Jersey) Ltd

Mercury Asset Mngt Channel Islands Ltd.

Midland Bank Fund Managers (Jersey) Ltd

Murray Johnstone (Jersey) Limited

Royal Bank of Scotland Fund Managers (CI) Ltd

Royal Bk of Scotland Fd Managers (Jersey) Ltd

Standard Bank Fund Mngt (Jersey) Ltd

Worldinvest (Managers) Jersey Ltd

LUXEMBOURG (FSA RECOGNISED)

Init Notes Charge | Selling Price | Buying Price | + or - | Yield Gross

ABN AMRO Funds (x)

Aberdeen Fund Mngrs (Luxembourg) Ltd (x)

American Phoenix Investment Portfolios (x)

13 rue Goethe, L-1637 Luxembourg 00 352 40464621

Bank Von Ernst & Cie AG

Barclays Diversified Portfolio (x)

50 avenue J.F. Kennedy, L-2951 352 4799 2539

Barclays Intl Funds Luxembourg

Citibank Asset Management (Luxembourg) SA

Commercial Union Luxembourg SA (x)

Credit Agricole Indosuez

DB Investment Management SA

Dresdner RCM Global Investors (UK) Ltd

Dresdner RCM Select Fund (x)

Fidelity Funds (x)

Fleming Group (x)

Foreign & Colonial Emerging Markets Ltd (x)

Foreign & Colonial Portfolios Fd Sicav (x)

Framlington International Portfolios

38, Allee Scheffer, L-2520 Luxembourg

Frontrunner I (x)

GT Global

HSBC Investment Funds Luxembourg SA (x)

7 rue du Marche-aux-Herbes L-1728 Luxembourg

INVESCO International Limited (x)

Jupiter Tyndall Global Fund

Liberty Newport World Portfolio (x)

Lloyds Bank Luxembourg

Lombard Odier Invest (x)

Mercury Asset Management

Mercury Asset Management - Contd.

LUXEMBOURG (REGULATED)(**)

ACM Offshore Funds

Credit Suisse Asset Mgmt Funds - Contd.

Fleming Group

Franklin Templeton Worldwide Funds

INVESCO International Limited

Lloyds Bank Luxembourg

Merrill Lynch Asset Management

Merrill Lynch Asset Management - Contd.

Nikko Bank (Luxembourg) S.A.

Sumitomo Trust SICAV

UBS AG

UBS AG - Contd.

Union Financial Services SA Lux

OFFSHORE INSURANCES

Aberdeen International Ltd

Allied Dunbar International Assce Ltd (x)

CMI Ins Co Ltd

Equity Fund Managers

Families Assurance Group

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صكنا من الاجل

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

Flexco International Ltd

Royal & Sun Alliance Intl Financial Srvs

Atlantic Investment Management, Inc

Leeds Provident International

General International Limited

Royal Skandia Life Assurance Ltd

Europe 1992

Everest Capital Limited

F.I. Founders Asset Management Ltd (IoM)

The FMG Fund Managers Ltd (Bermuda)

Global Asset Management - Contd.

OTHER OFFSHORE FUNDS

ALCOHOLIC BEVERAGES

	Notes	Price	+ or -	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
Allied Domecq	[illegible]	614xd	+12	[illegible]	395	6,276	4.9	13.5
Bulmer (HP)		[illegible]	—	[illegible]	[illegible]	[illegible]	5.3	15.3
Burn Stewart		[illegible]		[illegible]	[illegible]	115	–	–
Diageo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2.9	20.9
Glenmorangie A	†	[illegible]	[illegible]	[illegible]	[illegible]	10	2.6	18.6
B	†	825	[illegible]	[illegible]	810	–	1.1	44.7
Highland		250	—	[illegible]	225	118	4.8	11.1
5¾pc Cv Sb Bd		[illegible]	+1	[illegible]	[illegible]	–	6.2	–
Kirin Y		[illegible]	[illegible]	[illegible]	[illegible]	–	1.0	61.1
Matthew Clark	[illegible]	240	—	[illegible]	115	[illegible]	6.8	[illegible]
Merrydown		[illegible]		[illegible]	[illegible]	–	–	[illegible]
Seagram C$		[illegible]	[illegible]	[illegible]	[illegible]	–	1.3	–

BANKS, RETAIL

	Notes	Price	+ or -	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
ABN Amro Fl		[illegible]	[illegible]	[illegible]	[illegible]	–	3.4	13.5
ANZ A$		[illegible]	[illegible]	[illegible]	[illegible]	–	5.4	[illegible]
Abbey National	†	[illegible]	+27	[illegible]	[illegible]	2,806	3.2	18.7
Alliance & Leicester	[illegible]	[illegible]	+17	1032	585	3,935	3.1	17.1
Allied Irish IE	[illegible]	[illegible]	+5	[illegible]	[illegible]	–	2.1	25.3
Anglo Irish IE	[illegible]	158	+1	[illegible]	[illegible]	[illegible]	2.5	21.9
Asahi Y		[illegible]	[illegible]	[illegible]	140	–	1.5	–
Banco Bilbao Viz Pta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	–	1.7	30.1
Banco Santander Pta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	–	2.7	19.2
Bank Ireland IE	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	–	2.4	19.1
Bank Scotland	[illegible]	[illegible]	+48	613	431	[illegible]	2.1	15.8
9¼pc Ird Pf		[illegible]	—	174	138	–	6.9	–
9¾pc Ird Pf		[illegible]	[illegible]	[illegible]	[illegible]	–	7.0	–
Bk of Tokyo Mitsubishi Y		[illegible]	[illegible]	[illegible]	[illegible]	–	0.7	[illegible]

BREWERIES, PUBS & REST

BUILDING MATS. & MERCHANTS

CHEMICALS

CONSTRUCTION

CONSTRUCTION - Continued

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Continued

ENGINEERING - Continued

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD PRODUCERS

FOOD PRODUCERS - Continued

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS & TEXT

INSURANCE

INSURANCE - Continued

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Continued

INV TRUSTS SPLIT CAPITAL

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صكذا من الاجمل

LONDON SHARE SERVICE

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FTSE Actuaries Share Indices.

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MEDIA - Continued

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

PROPERTY - Continued

[illegible]

PROPERTY - Continued

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Continued

[illegible]

TELECOMMUNICATIONS

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Continued

[illegible]

WATER

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

[illegible]

TRADED INDEX SECURITIES

[illegible]

AIM

Alternative Investment Market

[illegible]

AIM - Continued

[illegible]

GUIDE TO LONDON SHARE SERVICE

Prices and trading volumes for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. For FTSE 100 Index constituents and reserves contained in the Trading Volume table on the LSE page, last trade prices at or after the 4.30pm market close are shown, as these shares are now traded on the Stock Exchange Electronic Trading System ("SETS"). Highs and lows are based on intra-day mid-prices/last trades over a rolling 52 week period.

Trading volumes are end of day accumulated totals. Dashes indicate that either no trade has taken place during the day or the data is not available for those particular securities. Volumes shown for foreign securities are based on London trading.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Earnings used in calculations are based on IIMR "Headline Earnings" formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Figures or report awaited
- Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange

[illegible]

FT Free Annual Reports Club

[illegible]

FT Cityline

[illegible]

The FT web site

[illegible]

Footsie reclaims 5,600 on rate and bid hopes

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

London's leading stocks raced higher yesterday on a mixture of continued hopes of further domestic interest rate cuts and a burst of takeover speculation.

After a relatively sedate opening, the FTSE 100 index burst through the 5,500 level in mid-morning and then ran through 5,600 over the lunch-time period, eventually finishing 132.2 or 2.4 per cent higher at 5,606.2.

There was no such strength in the junior FTSE indices, however, until the afternoon. The FTSE 250, spurred on by a handful of the IT stocks, moved into positive territory and passed 4,800, closing 20.6 firmer at 4,801.5. The FTSE SmallCap index was nothing like as strong, easing 3.5 to 2,049.3.

Dealers said rises in the front-line stocks had been exaggerated by a stock shortage which meant marketmakers had to drive prices sharply higher in order to cover exposed short positions.

The extent of the surge in the market confounded those observers who have adopted an increasingly cautious view since the rally from the October 5 low point of the year when the FTSE 100 bottomed at 4,648.7.

Those cautious attitudes have tended to harden during recent sessions which have featured an acceleration in the number of companies reporting poor earnings news and profit warnings.

Among the market's more optimistic strategists is Corey Miller at Paribas who pointed out that the UK had underperformed European markets by around 10 per cent since the start of the year and still offered "good value".

The stock market's advance was even more impressive given the profits warning background which continued to prompt individual stock price disasters yesterday, including a 16 per cent slide in shares of Storehouse, one of the UK's leading high street retailers.

Storehouse told its shareholders that its full-year profits would not match those of last year, confirming that the bad news in the high street, reported some weeks ago by Marks & Spencer, is widespread. Other store shares also suffered in the wake of the Storehouse news.

The grim earnings outlook swept right across the market, encompassing no fewer than three computer/business services-related companies.

Rumours that a big merger or takeover is imminent rippled across the market from the outset but there was no real confidence behind the speculation which shifted from sector to sector as the session wore on.

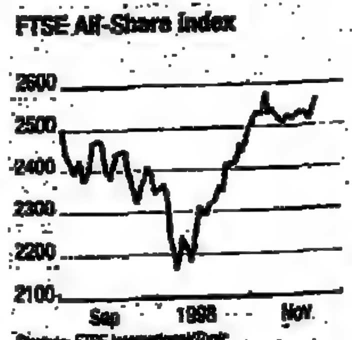
Some dealers said it was significant that some of the biggest gains were generally concentrated in the banking arena, long viewed as a sector ripe for restructuring.

Wall Street's overnight strength, which saw the Dow Jones Industrial Average climb back above the 9,000 level, was another positive for London as well as other European stock markets.

The Dow gave another solid showing at the start of trading yesterday, and was trading above 9,000 as London closed for the day.

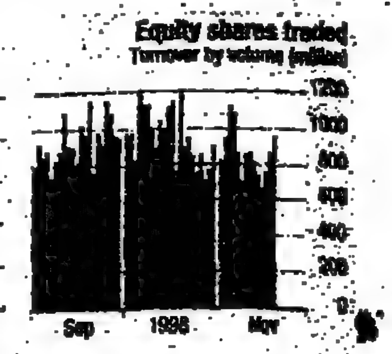
Volume was 989.3 shares by the 5pm count, of which non-Footsie stocks made up 55 per cent.

FTSE All-Share Index



Source: FTSE International/FT

Equity shares traded
Turnover by volume (million)



Indices and ratios

FTSE 100	5606.2	+132.2	FT 30	3368.2	+75.6
FTSE 250	4801.5	+20.6	FTSE Non-Fin p/e	21.35	21.04
FTSE 350	2658.0	+54.3	FTSE 100 Fut Dec	5630.0	+135.0
FTSE All-Share	2567.36	+49.66	10 yr Gilt yield	4.89	4.88
FTSE All-Share yield	3.06	3.12	Long gilt/equity yld ratio	1.58	1.57

Best performing sectors		Worst performing sectors	
1 Banks, Retail	+4.2	1 Oil Exploration & Prod	-3.5
2 Electronic & Elect Equip	+4.0	2 Retailers, General	-0.8
3 Diversified Industrials	+4.0	3 Paper, Pckg & Printing	[illegible]
4 Alcoholic Beverages	+3.8	4 Construction	[illegible]
5 Insurance	+3.4	5 Property	-0.5

BP slip unsettles market

COMPANIES REPORT

By Steve Thompson, Joel Kibazo and Martin Brice

BP was said to have been almost solely responsible for the equity market's mid-afternoon wobble, which saw the FTSE 100, then up about 140 points and looking set to continue higher, suddenly slide around 40 points.

Dealers said BP shares, up around 20 at the day's best and also looking in good heart, had abruptly stalled and begun to fall away as a rumour went round the market that the Kuwait Investment Office was about to sell all, or at least some of its remaining 6 per cent stake in the UK oil group.

The KIO's stake represents about 350m BP shares, worth around £3.3bn. It sold a 3 per cent-plus stake in May 1997 in the world's biggest-ever bought deal, executed by Goldman Sachs.

The market stories suggested the KIO could be looking to take advantage of the technical situation prompted by the proposed takeover by BP of Amoco of the US.

That is expected to be finalised within the next couple of months and will leave domestic institutions sharply underweight in the newly-merged company which will represent 7 per cent of the FTSE All-Share index and in excess of 8 per cent of the FTSE 100 index. The KIO was unable to comment on the story. BP declined to comment and its shares closed 3½ lower at 933p.

Retail analysts looking hard for signs of hope in a sea of gloom were instead confronted by more pain and misery as Storehouse became the latest group to join the sector casualty list.

The company warned that it expects full-year profits to be below last year's £125m, noting that sales growth had slowed towards the end of the second quarter.

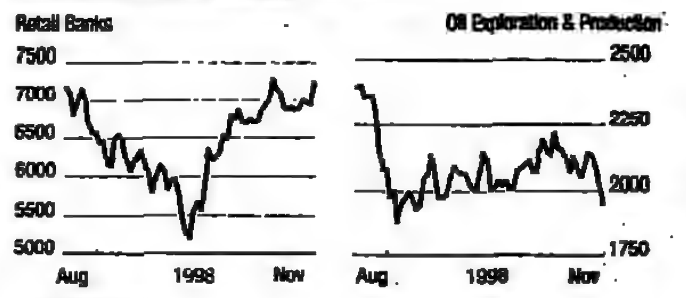
The news, which again cast a shadow over high street retailers, came as Storehouse reported slightly improved interim profits of £38.7m. The company said sales volumes were down in the five weeks to mid-November, and the outlook remained "volatile" in the run-up to the Christmas trading period.

One analyst said: "No one is surprised by the news of a profits fall but the extent of the problems is what caught most people out."

The shares fell 27½ or just under 17 per cent to 134½p.

Best and worst performing FTSE sectors

Retail Banks / Oil Exploration & Production



Source: Datastream/ICV

by far the worst performer in the FTSE 250, after trade of 8.3m. Analysts slashed full-year profit estimates, and profits forecast previously around the £127m mark were said to have fallen as low as £110m in some cases.

However, Henderson Crosthwaite was said to remain a buyer of the stock and was expected to hold its full-year forecast at £120m.

With no end of the sector's woes in sight, sellers emerged of rival retailers. Arcadia Group surrendered 13½ to 258½p while Debenhams fell 11 to 360½p. Great Universal Stores also moved against the strong market trend, closing 10 off at 618p. BTR hit a 52-week low of 92p as feedback from a trip by analysts to its US operations trickled into the market. The shares fell 3 to 97p, with traders suggesting the damage was being done by concerns over the outlook for the markets in which the company operated.

Such concerns were expected to weigh heavily on the shares as profit forecasts were downgraded on analysts' return from the visit.

The high level of investor nervousness over the possibilities of downgrades to profit forecasts was in evidence when P&O soared on relief that results contained no bad news.

The shares were the best performers in the Footsie, rising almost 14 per cent or 82 to 669½p as figures from its joint venture with Nedlloyd showed third-quarter operating profits up 20 per cent.

Analysts said the driving force behind the advance was relief, particularly in the implication that the impact of the Asian economic crisis was easing rather than deepening.

However, the response in the shares was out of proportion to the contribution the joint venture made to P&O.

Siebe ended down almost 5 per cent, the worst Footsie performer, ahead of interim results on Monday that are not expected to see the company return to its 10 per cent sales growth rate. However, analysts are forecasting a rise of about 8 per cent pre-tax. The shares, which were at 384p earlier this year, fell 10½ to 208p.

Land Securities declined 8½ to 803½p after Credit Suisse First Boston issued a "sell" note on the stock suggesting the group's defensive qualities are "overvalued".

Talk of overstocking at Asda Group prompted heavy selling of the company shares. Turnover of 38m included a single trade of 10m and made Asda the joint busiest stock of the session. The shares declined 2¾ to 151¾p. Sector specialists believe the group remains vulnerable to a bid.

Tesco was also a busy trade. Volume reached 21m as the shares hardened 9 to 177p.

Hopes of a cut in interest rates, vague bid talk and a broker's recommendation for one stock were all factors that combined to send retail banking stocks ahead and helped drive the overall market sharply ahead.

Barclays was one of the sector's best performers after Credit Lyonnais Securities reiterated its "buy" stance on the stock. Shares in Barclays jumped 83 to £12.73 while NatWest hardened 42 to £10.32.

Analysts dismissed vague bid talk surrounding Halifax as the shares put on 24 to 845p. Bank of Scotland was also in demand and the shares appreciated 46 to 630p.

FKI saw 6.3m traded while it rose 6½ to 127p, helped by positive comments following interim results on Wednesday. Lehman Brothers yesterday issued a buy note that set a price target for the engineering group of 238p.

The prospect of smallcap computer group Acorn selling its 24 per cent stake in microprocessor company Arm Holdings prompted a rally in both companies' shares. Arm was the best FTSE 250 performer as the tightly-held and illiquid stock gained almost 13 per cent, or 125 to £11. Acorn rose 9 to 67½p amid 4.2m traded.

At last night's close, the price of Arm shares valued Acorn's stake at £137m, which outweighs the £62m market capitalisation of Acorn.

Acorn said it may have to pay tax on the Arm shares if it separated that business from its other operations.

FT 30 INDEX

	Nov 19	Nov 18	Nov 17	Nov 16	Nov 13	Yr ago	*High	*Low
FT 30	3368.2	3292.6	3307.9	3324.4	3298.9	3168.8	4004.9	2790.6
Ord. div. yield	3.10	3.18	3.17	3.17	3.20	3.58	4.22	2.72
P/E ratio net	21.62	21.10	21.16	21.15	20.97	20.55	25.41	15.80
P/E ratio nil	21.53	21.01	21.07	21.06	20.88	20.27	25.18	15.71

FT 30 since compilation: high 4004.9 15/07/98; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

9	10	11	12	13	14	15	16	High	Low
3292.6	3285.2	3305.0	3320.3	3341.4	3348.4	3359.6	3350.6	3368.2	3279.7

STOCK MARKET TRADING DATA

	Nov 19	Nov 18	Nov 17	Nov 16	Nov 13	Yr ago
SEAQ bargains	63,597	53,638	56,879	62,862	53,198	61,015
Equity turnover (£m)†	-	2653.0	3071.7	2452.4	2347.8	2293.2
Equity bargains†	-	47,864	52,343	50,984	41,851	39,849
Shares traded (m)†	-	782.7	816.9	987.7	653.1	679.8
Total market bargains‡	-	55,443	59,853	60,570	53,080	-
Total turnover (£m)‡	-	3385.2	3711.6	3251.9	3131.9	-
Total shrs traded (m)‡	*934.0	960.8	958.6	875.0	817.7	-
Tradepoint turnover (£m)	27.0	24.4	21.4	59.3	13.9	20.7
Tradepoint shrs traded(m)	12.3	9.9	6.3	54.0	6.1	9.0

†Excluding intra-market and overseas turnover but including Crest turnover. *UK only total at 6pm. ‡ UK plus intra-market turnover.

■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	889	Total Highs	39	Total contracts	62,547
Total Falls	536	Total Lows	68	Calls	41,104
Same	1,506			Puts	21,443

Nov 19 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FTSE 100 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	5525.0	5630.0	+135.0	5660.0	5493.0	27225	[illegible]
Mar	5625.5	5679.0	+135.5	5695.0	5625.5	1151	16218
Jun	5620.0	5721.0	+135.0	5620.0	5620.0	500	[illegible]

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec		4820.0	+20.0			0	[illegible]

■ FTSE 100 INDEX OPTION (LIFFE) (*5604) £10 per full index point

[illegible]

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt cap (£m)	1998 High	1998 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
[illegible]											
§	F.P.	15.9	106	100	Do Zero Div Prf	105	+½	-	-	-	-
§55	F.P.	14.7	65½	58½	†Honeycombe Leisure	65		-	-	-	10.3
-	F.P.	5.87	102	100	INVESCO Recovery	101		Fv9.05	-	9.5	-
-	F.P.	4.85	104	100¾	Do Zero Div Pref	103½	+1½	-	-	-	-
§97	F.P.	7.65	103	78½	MSW Technology	86		-	-	-	13.8
-	F.P.	37.3	12½	10	Marley B	11		-	-	-	-
§	F.P.	5.17	5¾	4¼	†Natural Bldg Mtls	5¾		-	-	-	-
§	F.P.	2.10	105	105	†Do Cnv Prf	105		-	-	-	-
§	F.P.	13.8	27½	27½	†Offshore Tool & En	27½		-	-	-	-
-	F.P.	-	62½	60½	†Old Monk Company	57½		-	-	-	13.5
-	F.P.	7.48	93	90½	Piccadilly Growth	90½		1.8	0.5	2.2	71.0
100	F.P.	-	103	94	REXAM B	97	-½	-	-	-	-
-	F.P.	-	15	14	Thistle Hotels Prf	14½		-	-	-	-
-	F.P.	-	15	5	Yazawa Warrants	13½		-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FTSE GOLD MINES INDEX

	Nov 18	% chg on day	Nov 17	Year ago	Gross div yield %	Total return	52 week High	52 week Low
Gold Mines Index (29)	1127.78	2.4	1101.11	1085.88	1.85	1130.30	1351.57	701.86
■ Regional Indices								
Africa (9)	1201.86	1.7	1181.71	1083.84	3.40	1207.21	1488.04	765.83
Australasia (9)	1272.31	0.2	1269.25	1058.37	2.43	1277.28	1600.53	815.95
Americas (11)	1088.58	3.3	1054.23	1074.23	0.69	1089.58	1317.41	647.69

 Figures in brackets show number of companies. Basis US Dollars. Base Value: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Nov 19	Day's chge%	Nov 18	Nov 17	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	5606.2	+2.4	5474.0	5502.7	4908.4	2.88	2.46	1.97	22.01	133.98	2478.29
FTSE 250	4801.5	+0.4	4780.9	4800.1	4642.3	3.68	3.12	2.14	15.88	122.98	2081.33
FTSE 250 ex Inv Tr	[illegible]					3.83	3.25	2.21	14.77	127.47	2101.02
FTSE 350	2658.0	+2.1	[illegible]								
FTSE 350 ex Inv Tr	[illegible]										
FTSE 350 Higher Yield	[illegible]										
FTSE 350 Lower Yield	[illegible]										
FTSE SmallCap	[illegible]										
FTSE SmallCap ex Inv Tr	[illegible]										
FTSE All-Share	2567.36	+2.0	2517.70	2531.00	2314.73	3.06	2.60	2.01	20.37	62.33	2353.68
FTSE All-Share ex Inv Tr	2577.19	+2.0	2526.69	2540.17	2320.36	3.08	2.62	2.02	20.07	63.09	1215.70

■ FTSE Actuaries Industry Sectors

	Nov 19	Day's chge%	Nov 18	Nov 17	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 RESOURCES	[illegible]										
12 Extractive Industries	[illegible]										
15 Oil, Integrated	[illegible]										
18 Oil Exploration & Prod	[illegible]	-3.5									
20 GEN INDUSTRIALS	[illegible]										
21 Construction	[illegible]										
22 Building Matls & Merchs	[illegible]										
23 Chemicals	[illegible]										
24 Diversified Industrials	[illegible]										
25 Electronic & Elect Equip	[illegible]										
26 Engineering	[illegible]										
27 Engineering, Vehicles	[illegible]										
28 Paper, Pckg & Printing	[illegible]										
30 CONSUMER GOODS(90)	5799.50	+1.7	5703.27	5730.20	4636.57	2.35	2.13	1.98	27.49	127.90	2317.76
32 Alcoholic Beverages(8)	3785.29	+3.8	3645.07	3650.01	3331.38	3.29	3.05	2.13	17.83	136.96	1516.93
33 Food Producers(26)	3728.96	+0.9	3693.64	3697.38	3243.09	2.41	2.09	2.41	21.51	82.59	1823.02
34 Household Goods & Texts(22)	2339.85	-0.3	2346.48	2357.05	2821.41	4.48	3.86	1.78	15.66	88.97	1003.29
36 Health Care(13)	2413.16	-0.3	2420.65	2414.83	2205.54	2.15	1.98	2.18	28.65	46.87	1557.90
37 Pharmaceuticals(20)	10004.80	+1.9	9819.42	9879.89	7388.98	1.79	1.65	1.59	44.52	165.24	3805.31
38 Tobacco(3)	6787.50	-0.1	6778.78	6873.00	4518.98	5.01	4.18	2.04	12.23	210.91	1917.84
40 SERVICES(280)	3281.17	+2.0	3218.35	3233.91	2808.85	2.65	2.18	2.11	22.35	82.21	1820.64
41 Distributors(29)	1840.64	+1.5	1813.93	1867.45	2628.57	5.38	4.45	2.01	11.57	73.51	736.65
42 Leisure & Hotels(28)	2878.15	+0.6	2861.87	2861.78	3245.43	3.27	2.74	2.82	14.55	79.87	1644.26
43 Media(39)	4122.63	+2.3	4029.70	4043.04	4101.31	2.54	2.14	2.16	22.75	84.32	1574.48
44 Retailers, Food(13)	2835.05	+2.5	2766.24	2782.67	2627.30	3.24	2.59	2.14	18.09	68.90	1962.62
45 Retailers, General(47)	2009.75	-0.8	2025.98	2038.72	2394.55	3.80	3.05	2.11	15.62	59.06	1242.11
46 Telecommunications(8)	4884.36	+3.2	4730.72	4720.13	2540.88	1.84	1.51	1.70	39.89	47.70	2395.72
47 Breweries, Pubs & Rest.(24)	3371.71	-0.2	3379.04	3382.83	3365.06	3.67	2.94	2.37	14.39	71.77	1734.65
48 Support Services(65)	4078.52	+2.1	3993.17	4076.53	3353.28	1.52	1.28	2.73	30.15	49.11	2701.95
49 Transport(25)	3532.53	+2.7	3440.41	3461.04	2910.22	3.02	2.58	2.02	20.45	83.78	1594.38
60 UTILITIES(21)	4368.37	+1.1	4318.51	4352.57	3273.77	3.72	3.08	1.76	19.08	101.47	2110.41
62 Electricity(8)	4867.61	+1.0	4821.49	4844.63	3627.37	4.19	3.35	1.65	16.08	113.88	2878.88
64 Gas Distribution(2)	3539.12	+1.6	3482.96	3480.29	2409.67	1.91	1.53	‡	‡	54.02	2082.97
68 Water(11)	3613.18	+0.8	3585.36	3683.92	3103.65	4.75	4.20	2.38	11.06	112.14	2261.33
69 NON-FINANCIALS(622)	2629.43	+1.5	2590.71	2603.84	2355.95	2.97	2.58	1.97	21.35	61.77	2165.12
70 FINANCIALS(106)	4858.82	+3.5	4692.86	4721.75	4441.88	3.39	2.81	2.16	17.02	134.84	2272.91
71 Banks, Retail(12)	7239.32	+4.2	6947.39	6981.89	6506.45	3.53	2.82	2.12	16.71	199.47	2584.47
73 Insurance(15)	2105.87	+3.4	2035.88	2071.27	1912.51	3.35	3.16	2.01	18.38	77.07	1765.21
74 Life Assurance(6)	7012.32	+3.4	6784.15	6786.67	5483.89	2.75	2.37	2.70	18.83	167.30	3161.12
77 Other Financial(26)	3505.93	+1.4	3458.95	3478.02	3558.88	3.13	2.59	2.56	15.48	97.86	2156.94
79 Property(44)	1736.34	-0.5	1744.72	1762.08	2133.65	3.85	3.25	1.62	20.01	41.82	1150.01
80 INVESTMENT TRUSTS(115)	3448.19	+1.0	3413.31	3424.67	3268.65	2.35	1.91	1.19	44.94	58.91	1285.58
89 FTSE All-Share(842)	2567.36	+2.0	2517.70	2531.00	2314.73	3.06	2.60	2.01	20.37	62.33	2353.68
105 FTSE All-Share ex Inv Tr(727)	2577.19	+2.0	2526.69	2540.17	2320.36	3.08	2.62	2.02	20.07	63.09	1215.70
Information Technology	1252.02	+3.6	1208.97	1230.72	-	0.76	0.60	4.17	40.09	6.95	1258.23
FTSE Fledgling	1133.48	—	1133.81	1138.27	1248.44	3.86	3.17	1.45	22.39	32.34	1272.97
FTSE Fledgling ex Inv Tr	1137.18	-0.1	1138.29	1141.48	1270.98	4.23	3.48	1.54	19.18	36.06	1283.63
FTSE AIM	818.0	-0.9	825.7	827.9	982.9	1.15	0.92	0.51	80.00†	9.35	780.05

■ Hourly movements

	9.03	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	5481.3	5484.1	5524.1	5549.3	5578.8	5589.6	5613.9	5580.0	5616.7	5468.1
FTSE 250	4779.6	4772.9	4777.2	4778.2	4782.3	4785.7	4791.0	4797.3	4801.5	4772.2
FTSE 350	2608.5	2607.0	2623.3	2633.3	2645.3	2649.9	2660.1	2647.2	2661.1	2601.0
FTSE SmallCap	2050.70	2050.87	2048.83	2048.80	2049.00	2048.66	2049.47	2050.04	2051.79	2048.57
FTSE All-Share	2520.11	2520.58	2535.40	2544.64	2535.66	2580.00	2589.31	2567.53	2570.30	2515.09

Time of FTSE 100 Day's high: 14:57:45 Day's low: 9:45:00. FTSE 100 1998 High: 6179.0 (20/07/98) Low: 4648.7 (05/10/98)
Time of FTSE All-Share Day's High: 14:58:00 Day's low: 9:45:00 FTSE All-Share 1998 High: 2865.20 (20/07/98) Low: 2166.10 (05/10/98)

Further information is available on http://www.ftse.com.

 † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative.

FTSE INTERNATIONAL

TRADING VOLUME

■ Major Stocks yesterday.

	Vol 000's	Closing price	Day's change
3i	627	340	+13
AMVESCAP	732	418	+8
ASDA Group	38,000	151¾	-2¾
Abbey National	2,800	1268	+27
Alliance & Leicester	3,300	905	+17
[illegible]			

Based on trading volume for the FTSE 100 constituent companies and turnover yesterday until 4.30pm. † Indicates a FTSE 100 index constituent. [illegible]

هكذا من الأصل

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Nov 19 / Sch)

BELGIUM/LUXEMBOURG (Nov 19 / Frs.)

CZECH REP (Nov 19 / Koruna)

DENMARK (Nov 19 / Kr)

FINLAND (Nov 19 / Mka)

FRANCE (Nov 19 / Frs.)

GERMANY (Nov 19 / Dm.)

GREECE (Nov 19 / Drachma)

IRELAND (Nov 19 / Punt)

ITALY (Nov 19 / Lire)

NETHERLANDS (Nov 19 / Fls.)

NORWAY (Nov 19 / Kroner)

POLAND (Nov 19 / Zloty)

PORTUGAL (Nov 19 / Escudo)

SPAIN (Nov 19 / Pts.)

SWEDEN (Nov 19 / Kronor)

SWITZERLAND (Nov 19 / Frs.)

TURKEY (Nov 19 / Tk Lira)

PACIFIC

JAPAN (Nov 19 / Yen)

AUSTRALIA (Nov 19 / Aus$)

HONG KONG (Nov 19 / H.K.$)

INDONESIA (Nov 19 / Rupiah)

MALAYSIA (Nov 19 / MYR)

NEW ZEALAND (Nov 19 / NZ $)

SINGAPORE (Nov 19 / S$)

SOUTH KOREA (Nov 19 / Won)

TAIWAN (Nov 19 / TW $)

THAILAND (Nov 19 / Baht)

AFRICA

SOUTH AFRICA (Nov 19 / Rand)

AMERICAS

CANADA

TORONTO (Nov 19 / Can $) 4 pm close

MONTREAL (Nov 19 / Can $) 4 pm close

MEXICO (Nov 19 / Peso) 12.30pm

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	WEDNESDAY NOVEMBER 18 1998 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	TUESDAY NOVEMBER 17 1998 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (75)	198.28	1.4	175.66	152.05	171.89	204.76	–0.2	3.65	195.51	172.96	149.47	169.68	205.26	219.95	163.86	201.16
Austria (22)	181.82	–1.6	161.09	139.44	157.63	157.52	–1.7	2.21	184.71	163.41	141.21	160.21	160.19	253.73	166.45	192.35
Belgium (22)	372.71	–0.5	330.21	285.83	323.12	316.27	–0.6	2.13	374.47	331.28	286.29	325.00	318.05	398.52	249.06	252.28
Brazil (32)	168.40	2.6	149.20	129.14	145.99	369.17	2.6	2.41	164.11	145.18	125.46	142.43	359.63	269.34	102.58	212.81
Canada (118)	190.99	–0.2	169.21	146.47	165.58	214.93	0.0	1.84	191.35	169.27	146.28	166.07	214.83	249.78	159.94	214.10
Denmark (34)	464.53	0.0	411.57	356.25	402.73	400.54	–0.1	1.74	464.63	411.04	355.21	403.25	401.05	537.33	415.34	415.34
Finland (28)	459.55	2.6	407.16	352.44	398.42	489.02	2.5	1.87	447.68	396.05	342.26	388.54	476.88	508.46	267.59	311.29
France (75)	302.65	0.7	268.14	232.10	262.38	265.41	0.8	2.36	300.62	265.95	229.83	260.91	263.98	345.18	225.24	229.33
Germany (55)	263.44	0.1	233.41	202.04	228.39	228.39	0.0	1.41	263.25	232.88	201.25	228.47	228.47	325.61	216.42	217.97
Greece (35)	295.10	2.7	261.46	226.32	255.84	592.51	2.3	1.46	287.42	254.27	219.74	249.45	579.41	333.20	211.47	–
Hong Kong, China (67)	318.92	1.3	282.56	244.58	276.49	317.08	1.3	4.13	314.80	278.49	240.67	273.21	312.94	389.07	196.84	349.81
Indonesia (26)	45.15	2.6	40.00	34.63	39.15	210.51	3.6	1.51	43.99	38.92	33.63	38.18	203.22	112.48	19.04	112.48
Ireland (16)	490.33	–0.1	434.43	376.04	425.10	463.38	–0.2	2.09	490.91	434.29	375.31	426.06	464.28	580.44	376.58	379.63
Italy (53)	156.24	–0.7	138.43	119.82	135.45	192.58	–0.8	1.45	157.32	139.18	120.27	136.54	194.15	184.49	108.44	109.23
Japan (446)	96.27	0.2	85.30	73.83	83.46	73.83	0.5	1.02	96.09	85.01	73.46	83.40	73.46	109.73	76.83	105.83
Mexico (29)	1165.54	2.6	1032.65	893.86	1010.47	12660.53	2.5	2.02	1135.53	1004.65	868.20	985.61	12354.38	1803.07	787.15	1523.87
Netherlands (27)	476.69	–0.2	422.34	365.58	413.27	408.08	–0.3	2.28	477.55	422.47	365.09	414.47	410.25	562.38	391.03	410.85
New Zealand (18)	58.86	–0.1	52.15	45.14	51.03	57.90	–1.0	4.86	58.90	52.11	45.03	51.12	58.58	84.96	45.68	84.98
Norway (38)	222.06	–0.4	196.74	170.30	192.51	223.48	–0.8	2.69	222.99	197.27	170.48	193.53	225.32	357.71	181.86	342.54
Philippines (22)	80.78	1.8	71.57	61.95	70.03	160.62	1.8	0.96	79.39	70.23	60.69	68.90	157.86	106.98	42.48	87.80
Portugal (18)	254.24	0.5	225.26	194.98	220.42	297.60	0.5	1.12	252.91	223.74	193.35	219.50	296.09	299.59	194.13	–
Singapore (41)	195.50	4.4	173.22	149.93	169.49	147.03	4.3	2.15	187.24	165.65	143.15	162.51	140.99	264.82	102.45	243.70
South Africa (39)	208.59	0.0	184.81	159.97	180.84	258.73	–0.3	3.60	208.52	184.47	159.41	180.97	259.56	346.20	151.56	272.86
Spain (30)	362.68	–0.1	321.33	278.14	314.43	369.63	–0.1	2.03	363.08	321.20	277.58	315.12	370.11	417.73	295.04	255.50
Sweden (46)	485.78	2.7	430.40	372.55	421.15	576.33	2.2	2.03	473.20	418.62	361.76	410.69	563.93	628.19	379.18	477.70
Switzerland (30)	396.73	1.0	351.50	304.25	343.95	337.77	0.9	1.28	392.94	347.61	300.40	341.03	334.71	439.48	307.73	316.70
Thailand (35)	20.96	0.9	18.57	16.07	18.17	29.50	0.4	3.21	20.77	18.37	15.88	18.02	29.38	33.84	8.15	28.74
United Kingdom (208)	356.07	–0.7	315.47	273.07	308.70	315.47	–0.8	3.11	358.66	317.29	274.19	311.28	317.29	401.84	307.98	322.86
USA (620)	468.98	0.5	415.51	359.67	406.59	468.99	0.5	1.39	466.56	412.75	356.69	404.93	466.56	485.88	378.74	382.11
Americas (800)	417.73	0.5	370.11	320.36	362.18	354.40	0.5	1.41	415.67	367.64	317.71	360.67	352.54	437.03	343.40	347.17
Europe (737)	334.60	0.0	296.45	256.61	290.08	301.58	0.0	2.23	334.55	295.98	255.76	290.35	301.63	366.24	278.32	279.41
Eurobloc (346)	96.45	0.1	85.46	73.97	83.62	90.50	0.0	1.89	96.37	85.26	73.68	83.64	90.52	113.28	81.53	–
Nordic (146)	449.04	2.0	397.84	344.37	389.30	449.33	1.6	1.99	440.40	389.60	336.69	382.22	442.06	555.97	360.04	421.37
Pacific Basin (730)	104.50	0.5	92.58	80.14	90.59	82.08	0.6	1.59	104.01	92.01	79.52	90.27	81.63	119.48	82.88	115.91
Euro–Pacific (1467)	200.10	0.1	177.28	153.46	173.48	184.34	0.2	2.04	199.80	176.75	152.75	173.40	184.08	220.19	166.00	184.13
North America (738)	450.22	0.5	398.89	345.28	390.32	451.52	0.5	1.40	448.01	396.33	342.50	388.82	449.27	468.20	367.38	371.56
Europe Ex. UK (529)	312.54	0.4	276.91	239.69	270.96	285.67	0.3	1.90	311.38	275.46	238.05	270.24	284.94	366.32	249.08	249.98
Europe Ex. Eurobloc (391)	91.69	–0.1	81.24	70.32	79.50	90.02	0.0	2.58	91.75	81.16	70.14	79.63	90.09	103.93	77.40	–
Europe Ex. UK Ex. Eurobloc (183)	93.74	1.3	83.05	71.89	81.27	88.36	1.1	1.52	92.54	81.87	70.75	80.32	88.37	108.21	75.16	–
Pacific Ex. Japan (284)	182.09	1.5	161.33	139.64	157.88	183.58	0.8	3.73	179.34	158.65	137.11	155.65	182.12	217.77	128.25	208.73
World Ex. Eurobloc (1960)	98.29	0.4	87.09	75.38	85.21	97.19	0.4	1.88	97.89	86.60	74.84	84.96	96.76	103.16	83.09	–
World Ex. US (1686)	200.11	0.2	177.30	153.47	173.49	168.49	0.2	2.05	199.77	176.73	152.73	173.38	169.18	221.91	165.95	187.61
World Ex. UK (2098)	280.16	0.5	248.21	214.85	242.88	250.14	0.5	1.64	278.82	246.66	213.16	241.99	248.98	288.02	234.69	243.26
World Ex. Japan (1860)	381.54	0.4	338.04	292.61	330.78	369.72	0.3	1.78	380.12	336.28	290.61	329.91	368.48	411.23	318.78	322.82
The World Index (2306)	286.69	0.3	254.01	219.87	248.55	256.23	0.4	1.70	285.68	252.73	218.41	247.94	255.31	306.56	242.08	250.02

 CONSTITUENT CHANGE WITH EFFECT 20/11/98: Deletion: Rieter Corporation (USA). Name change: Star Banc to Firstar Corporation (USA). CONSTITUENT CHANGE 19/11/98: Addition: Smurfit-Stone (Medium-Small Cap) (USA).

Emerging markets: IFC investable indices

Dollar terms

Nov 18 Market		Day's chg %	% Chg since 31/12/97
Latin America			
Argentina	867.38	–0.2	–22.3
Brazil	338.59	+2.7	–29.8
Chile	477.68	–0.4	–25.7
Colombia[1]	368.78	–1.2	–55.2
Mexico	494.48	+2.5	–37.3
Peru[2]	147.83	+1.8	–33.2
Venezuela[3]	355.92	+2.8	–61.1
East Asia			
China[4]	30.72	+0.3	–44.4
India[5]	83.35	+1.2	–24.0
Indonesia[6]	22.70	+4.1	–32.6
Korea[6]	34.89	+0.2	+45.2
Malaysia	72.40	–1.7	–20.6
Pakistan[6]	98.28	–2.9	–61.2
Philippines	115.08	+1.7	+2.1
Sri Lanka[10]	77.84	+7.8	–33.1
Taiwan, China[8]	124.49	–0.5	–11.7
Thailand	82.18	+0.8	+32.2
Europe			
Czech Rep	49.28	+0.6	–9.9
Greece	533.19	+2.5	+54.6
Hungary[11]	258.21	–1.1	–18.0
Poland[12]	546.70	–1.4	–8.4
Portugal	287.70	+0.7	+36.3
Russia	22.34	–0.8	–85.0
Slovakia	39.94	–3.4	–59.7
Turkey[13]	130.93	–2.2	–58.1
Mideast/Africa			
Egypt	65.10	+0.1	–30.2
Israel	89.39	+0.8	–18.3
Jordan	203.62	+0.2	–3.2
Morocco	172.01	+0.1	+32.0
S Africa[15]	138.85	–0.1	–22.7
Zimbabwe[14]	98.84	+0.9	–60.7
Regions			
Composite	187.81	+0.8	–29.7
Latin America	459.78	+1.7	–32.1
Asia	97.24	+0.4	–9.7
EMEA	113.63	+0.3	–23.1
Europe	138.85	+0.4	–28.4
Eastn Europe	55.27	–1.0	–59.9
ME & Africa	57.54	+0.1	–19.8
Comp + Malay	187.84	+0.7	–29.5
Asia + Malay	86.17	–0.8	–10.7

Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 5 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10)Dec 31 1992; (11)Dec 31 1993; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1992; (15)May 2 1993; (16) July 2 1993.
Latest indices were unavailable for this edition.

NEW YORK STOCK EXCHANGE PRICES

- A -

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

- T -

- U -

- V -

- W -

- X - Y - Z -

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1998. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Volume figures are unofficial.

d-new yearly low. P/E price-earnings ratio. vol- volume. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
Dealings suspended.

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GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Nov 18	Nov 17	Nov 16	1998 High	1998 Low	Since compilation High	Since compilation Low
Industrials	9041.11	8986.28	9011.25	9337.97 (17/7)	7539.07 (31/8)	9337.97 (17/7/98)	41.22 (8/7/32)
Home Bonds	106.31	106.12	106.38	107.82 (5/10)	104.42 (11/5)	107.82 (5/10/98)	54.99 (1/10/81)
Transport	2988.08	2827.82	2916.85	3686.82 (16/4)	2345.00 (8/10)	3686.02 (16/4/98)	13.23 (8/7/32)
Utilities	309.27	309.06	309.54	328.51 (8/10)	282.66 (9/1)	328.51 (8/10/98)	16.53 (8/7/32)

DJ Ind. Day's high 9085.78 (9159.25) Low 8897.98 (8870.42) (Theoretical)
Day's high 9041.11 (9732.18) Low 8957.18 (8929.12) (Actual)

Standard and Poors	Nov 18	Nov 17	Nov 16	1998 High	1998 Low	Since compilation High	Since compilation Low
Composite	1144.48	1139.32	1135.86	1186.75 (17/7)	927.59 (9/1)	1186.75 (17/7/98)	4.40 (1/6/32)
Industrials	1365.59	1357.36	1356.72	1398.48 (17/7)	1077.40 (9/1)	1398.48 (17/7/98)	3.52 (30/6/32)
Financial	124.26	124.96	122.85	147.89 (14/7)	95.80 (8/10)	147.89 (14/7/98)	7.13 (4/9/74)
Others: NYSE Comp.	583.46	581.02	580.28	598.75 (17/7)	477.20 (8/10)	600.75 (17/7/98)	4.64 (25/4/42)
Amex Comp	657.25	655.89	657.72	753.67 (23/4)	583.75 (8/10)	753.67 (23/4/98)	524.38 (16/7/98)
NASDAQ Comp	1897.44	1878.52	1861.72	2014.25 (20/7)	1419.12 (8/10)	2014.25 (20/7/98)	54.87 (31/10/74)
Russell 2000	392.12	389.43	390.42	491.41 (21/4)	310.28 (8/10)	491.41 (21/4/98)	123.36 (7/12/90)

RATIOS

	Nov 13	Nov 6	Oct 30	Year ago
Dow Jones Ind. Div. Yield	1.60	1.68	1.75	1.78
	Nov 11	Nov 4	Oct 28	Year ago
S & P Ind. Div. yield	1.29	1.30	1.36	1.56
S & P Ind. P/E ratio	32.98	32.70	31.32	24.36

US DATA

MARKET ACTIVITY

Volume (million)	Nov 18	Nov 17	Nov 16
NYSE	658.510	701.110	615.580
Amex	22.538	25.831	21.195
NASDAQ	905.451	829.770	760.042

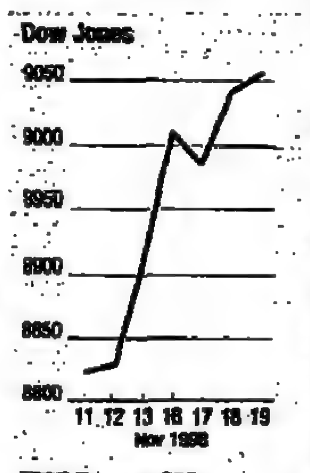
NYSE	Nov 18	Nov 17	Nov 16
Issues Traded	3,520	3,528	3,529
Rises	1,480	1,481	1,615
Falls	1,525	1,497	1,380
Unchanged	512	550	515
New Highs	54	58	53
New Lows	38	33	27 1

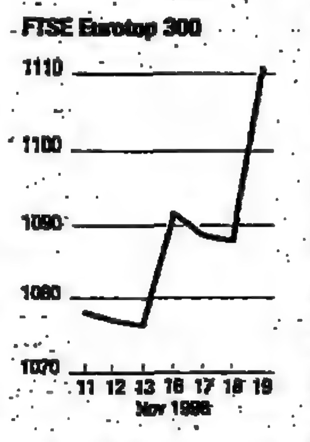
NYSE TRADING ACTIVITY — Volume : 658,510,000

[illegible]

NASDAQ TRADING ACTIVITY

[illegible]





JAPAN

	Nov 19	Nov 18	Nov 17	1998 High	1998 Low	Since compilation High	Since compilation Low
Nikkei 225	14354.46	14599.23	14413.00	17264.34	12879.97	38915.8	85.25

Day's high 14642.96. Day's low 14354.41.

TOKYO TRADING ACTIVITY — Volume : 515,000,000

ACTIVE STOCKS Thursday	Stocks traded	Close price	Day's change
AoiaCp	28,383,000	77	-1
Haseko	14,320,000	73	+3
Toshiba	12,361,000	653	+19
FujiCp	7,321,000	84	-2
Sakura	6,890,000	345	-4
NissMt	6,010,000	356	+14
MitElec	5,975,000	307	+8
NpStl	5,643,000	219	-1
Chiyoda	5,578,000	245	-23
FujiBk	5,273,000	509	-20

BIGGEST MOVERS Thursday	Close price	Day's change	Day's chge %
Ups			
D'nanx	358	+48	+15.5
Seibu	44	+5	+12.8
ShokJk	76	+6	+8.6
MgMya	173	+13	+8.1
Downs			
Chiyoda	245	-23	-8.6
Pioneer	1999	-178	-8.1
IshkwG	345	-23	-7.5
AsaNyl	103	-8	-7.2

FRANCE

	Nov 19	Nov 18	Nov 17	1998 High	1998 Low	Since compilation High	Since compilation Low
CAC 40	3706.76	3612.50	3601.57	4388.48	2962.54	4388.48	584.61

Day's high 3706.76 Day's low 3631.03

PARIS TRADING ACTIVITY — Volume : 516,937,000

ACTIVE STOCKS Thursday	Stocks traded	Close price	Day's change
Alcatel	1,799,444	620	+14
FrTelm	1,655,203	404.9	+14.8
RhonPA	1,484,423	288	+11
Axa	1,372,462	665	+6
BNP	978,299	269	+6.6
EfAqu	972,591	711	+6
Vivendi	970,529	1319	+54
Renault	921,143	219.5	+4.3
Paribas	849,650	462	+7
Usinor	784,627	62.1	+2

BIGGEST MOVERS Thursday	Close price	Day's change	Day's chge %
Ups			
CrFonF	87	+6	+7.4
Dollfus	65.5	+4.3	+7.0
L'Oreal	3387	+195	+6.1
Rhodia	91.75	+5.25	+6.1
Downs			
Technip	472	-21.5	-4.4
Labinal	1327	-49	-3.6
GrpGTM	632	-18	-2.8
Gibert	755	-17	-2.2

GERMANY

	Nov 19	Nov 18	Nov 17	1998 High	1998 Low	Since compilation High	Since compilation Low
DAX	4795.69	4698.72	4702.63	6171.43	3896.08	6171.43	551.18

Day's high 4824.70 Day's low 4707.60

FRANKFURT TRADING ACTIVITY

[illegible]

UK

	Nov 19	Nov 18	Nov 17	1998 High	1998 Low	Since compilation High	Since compilation Low
FTSE 100	5636.2	5474.0	5502.7	6179.00	4648.70	6179	986.9

Day's high 5616.? Day's low 5465.1

LONDON TRADING ACTIVITY

[illegible]

INDEX FUTURES

S&P 500	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	1150.00	1152.00	+2.00	1154.20	1147.20	83,496	396,043
Mar	1161.50	1163.00	+2.10	1164.00	1161.00	1,705	17,333

Nikkei 225	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	14500.0	14360.0	-110.0	14660.0	14300.0	27,957	187,524
Mar	14500.0	14280.0	-220.0	14590.0	14280.0	128	8,138

Open interest figures for previous day.

CAC-40 (200 x index)	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Nov	3636.0	3713.0	+86.00	3718.0	3628.0	67,945	201,188
Dec	3653.0	3722.0	+86.50	3728.0	3649.0	4,920	76,183

DAX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Dec	4737.5	4818.5	+108.5	4848.0	4707.5	22,676	78,909
Mar	4775.5	4858.0	+97.5	4876.5	4754.5	652	3,623

OMX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Nov	667.00	672.00	+7.50	678.25	666.50	42,159	194,107
Dec	672.25	674.25	+6.50	681.00	669.50	24,602	23,581

SOFFEX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Dec	6871.0	7001.0	+142.0	7010.0	6867.0	26,878	151,491
Mar	6927.0	7025.0	+146.0	7025.0	6913.0	408	4,995

WORLD MARKETS AT A GLANCE

Country	Index	Nov 19	Nov 18	Nov 17	1998 High	1998 Low	Yield	P/E
Argentina	General	18786.76	18636.84	18699.69	23485.47 23/3	12303.14 1/9	3.49	11.8
Australia	All Ordinaries	2680.6	2668.7	2676.5	2881.40 16/4	2458.20 1/9	3.12	20.6
	All Mining	628.8	625.0	628.8	713.10 23/4	489.80 31/8		
Hungary	Bux	5972.42	5747.34	5754.92	9816.26 23/4	3775.02 21/9	na	na
India	BSE Sens.	2864.97	2803.25	2898.60	4280.96 21/4	2764.16 20/10		
	Crisil 500	591.82	587.14	595.50	815.82 21/4	557.88 20/10	na	na
Portugal	BVL 30	4815.82	4763.75	4744.23	6176.89 22/4	3598.08 2/10	2.08	26
	PSI 20	11026.73	10911.45	10839.19	14282.99 22/4	8114.51 2/10		
Russia	RTS	60.04	59.76	60.02	411.61 5/1	38.53 5/10	na	na

Real estate companies led the gains, up more than 7 per cent. (Argentina)

Firm, with strong All and bonds. Retailers, golds and Telstra made gains, but resource leaders continued to lag. (Australia)

Overseas investors bought telecoms Matav, chemicals BorsodChem and OTP Bank. (Hungary)

Steel groups rose, with Tata Iron and Steel and Steel Authority of India higher. (India)

LUKoil and utility Unified Energy System were the only shares with notable volumes. (Russia)

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THE NASDAQ-AMEX MARKET GROUP

4 pm close November 19

[illegible]

AMEX

4 pm close November 19

[illegible]

EASDAQ

[illegible]

STOCK MARKETS

Europe plays catch-up with Wall Street

WORLD OVERVIEW

European and Asian markets outperformed US stocks yesterday as investors sought bargains among blue-chips, *writes Michael Peel.*

Seoul, Bangkok and Singapore all finished sharply higher, while Frankfurt, Paris and Amsterdam registered rises of 1.9 per cent or more. On Wall Street, the Dow was slightly lower by early lunchtime.

Analysts said European stocks now offered superior value to those listed in the US, where prices have held up much better in recent months. Goldman Sachs said the US market had fallen only 3 per cent in local currency terms in the past four months, compared with a 17 per cent decline on European bourses.

"I suspect that to some extent Europe is staging something of a catch-up," said Neil Williams, a global strategist. Jane Edwards, an international economist for Lehman Brothers, said attention had switched to Europe in anticipation of a series of decisions on interest rates that are due in the next few weeks.

Germany and France yesterday decided to leave their rates unchanged, switching attention to scheduled and potential announcements from Sweden, the UK, Denmark and Italy.

"This is a bit of a change because we had had a US-led recovery in recent weeks," said Ms Edwards. "We have had cuts in the US, Canada and New Zealand, the baton has passed to Europe."

She added the reduced activity in the US suggested investors had already priced in future rate cuts by the Federal Reserve. The market was unlikely to suffer a steep fall as long as the Fed to combatted the slowdown by cutting rates.

However, other strategists raised concerns that US stocks would be unable to sustain their recent powerful performance. They see the rally as liquidity driven, reflecting investors' eagerness to spend cash they have been reluctant to use in the past few months.

"I think it's a technical rally," said Trevor Greetham, a strategist for Merrill Lynch. "It could last into the new year, but then there will be people moving into safer assets."

Dylan Grice, a global economist at Dresdner Kleinwort Benson, said US investors were overconfident and could be severely affected by a piece of bad economic news such as a sudden decline in the Brazil or a devaluation in China.

"There is a bubble on Wall Street and valuations look extremely stretched when you look at forward earnings," he said. "My fear is that this optimism is overdone and is going to have to be reversed."

High techs enjoy strong early session

AMERICAS

Wall Street put in a mixed performance in morning trade, with blue chips pulling back while technology shares gained ground, *writes John Labate in New York.*

At midday the Dow Jones Industrial Average was down 15.98 at 9,025.15. The broader Standard & Poor's 500 index firmed, gaining 2.90 to 1,147.38. Advancing stocks were slightly ahead of decliners on the New York Stock Exchange by 15 to 13.

Internet and other computer-related stocks had another strong session. The Nasdaq composite was 15.97 higher at 1,913.41.

"The Dow is up 21 per cent in five and a half weeks, so we're having a normal pause," said Alfred Goldman, chief market strategist at A.G. Edwards in St. Louis. Despite thin trading volumes in recent sessions, investors seem poised to push stocks higher in the near-term. "There's money that still wants to own stocks. You get a modest pullback and money shows up," said Mr Goldman.

Among the internet shares, America Online gained more than 4 per cent or $3⅞ to $87⅞ after the company announced a new online postage service. Online brokerage Ameritrade gained $⅞ or 5 per cent to $18⅞ after the company announced a new venture with Deutsche Bank. The newly public online community site, theglobe.com, rebounded after recent weakness, climbing 34 per cent or $10 13/16 to $43.

Retailers continued to trade on earnings announcements. Venator plunged $1 or 10 per cent to $9 after the company reported its third-quarter results, but bookseller Barnes & Noble rose $1⅛ to $33¾ on nine-month figures.

Airline stocks were mostly lower. AMR, parent of American Airline, was down $2 1/16 to $62¼ after the company said it would buy west-coast carrier Reno Air for $124m. Delta Airlines fell 4 per cent to $52 and UAL tumbled more than 5 per cent to $62¾ after Salomon Smith Barney cut both stocks to "outperform" from "buy". CBS rose $1⅞ to $29¾ after Prudential Securities rated the stock "accumulate".

Semiconductor producers were strong risers with Texas Instruments surging $4¾ to $76¾ after Banc Boston Robertson Stephens raised its rating to "strong buy".

TORONTO was carried higher at midsession by a continuation of the momentum seen on Wednesday and by midday, the 300 composite index was 46.51 higher at 6,388.70.

Overall nine of the 14 sub-indices opened in positive territory, led by financial services. Banks were in focus as their earnings reporting season began. Toronto Dominion Bank, the country's fifth largest, put on C$1.05 to C$46.10 as it reported fourth-quarter and year-end results.

In the industrial products sector, Newbridge Networks rose 95 cents to C$37.55.

BUENOS AIRES was higher at midsession, helped by firmer foreign markets and the Merval index stood 3.92 higher at 481.85.

Real estate company Alto Palermo was a winner, up 60 centavos at 7.30 pesos, while market heavyweight YPF put on 1.10 pesos to 29.50 pesos, benefiting from government plans to relax rules governing takeover bids.

Golds give Jo'burg shine

SOUTH AFRICA

Gold stocks led South African equities ahead, and the overall index rose 27.7 or 0.5 per cent to 5,731.6.

A rise in bullion lifted golds, with the sub-index up 3.4 per cent. Western Areas rose 175 cents or 8.3 per cent to R22.75 and Anglogold R9 or 3.3 per cent to R286.

Industrials rose 0.5 per cent and financials were up 0.8 per cent. Investec rose 480 cents to R196, while Liberty Life added 120 cents to R98.20.

Dax lifted as bank holds rates

EUROPE

Shares in **FRANKFURT** climbed 2.2 per cent after the Bundesbank, as expected, left interest rates unchanged and the Xetra Dax index closed 105.00 higher at 4,805.69.

Karstadt, the department store chain, regularly at the centre of restructuring speculation, rose DM30.50 to DM800.50. The shares were tugged along by a DM5.15 rise in Metro to DM119.10 after it announced plans to raise DM2.3bn through a rights offering at DM87.

Analysts attributed a DM24 rise to DM497 in Man, the truck and machinery maker, to one large order.

Mannesmann, the engineering and telecoms group, climbed DM5.50 to DM172 after the group posted "clearly better" nine-month results and reiterated its bullish forecast for this year, suggesting the momentum would last into 1999.

The FTSE Eurotop 300 index gained 24.72 or 2.27 per cent to 1,113.17. See Euro Prices page.

Viag lost another DM35 to DM1,025 as the market continued to take a dim view of news that it was in discussions on a pact with Switzerland's Alusuisse.

The telecoms providers, under pressure early in the session in further response to the escalating price war, closed mixed. Deutsche Telekom eased 11 pfg to DM45.50, but Mobilcom recovered a sharp early fall to close DM9.95 higher at DM450.

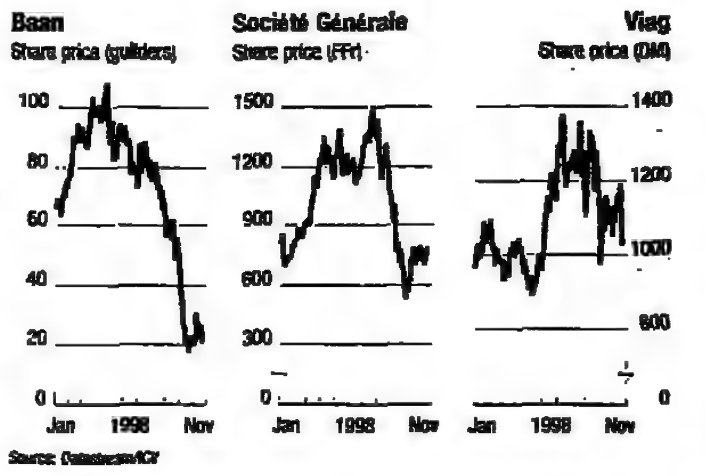
In car stocks, DaimlerChrysler put on DM7.15 to DM147.55, still riding high after the official start of trade on Tuesday. Volkswagen put on DM3 to DM133 after the company said European delivery figures for January to October showed it had again increased its market share.

AMSTERDAM was lifted by buying in technology-related stocks and the AEX index rose 19.56 or 1.9 per cent to 1,073.16.

Baan rose Fl 1.60 or 7.6 per cent to Fl 22.70 on reports that Goldman Sachs held a stake in the company. The US investment bank disclosed in a Securities and Exchange Commission filing that it held a 10.5 per cent stake in the software group.

KPN rose Fl 2.90 or over 4 per cent to Fl 75.30 after announcing a joint venture with Qwest Communications to build and operate a fibre-optic internet protocol-based network. Philips Electronics gained Fl 7.30 or 5.9 per cent to Fl 131.

Financials were higher with ABN-Amro up Fl 0.50 to Fl 37.80 and ING adding Fl 1.80 to Fl 105.90.



PARIS turned its attention to the banks and retailers during a bullish session that saw the CAC-40 index climb 94.26 or 2.6 per cent to 3,706.76, its best level of the day and its highest close since September 16.

Banks were strong performers, coming back into favour on the back of better-than-expected nine-month profits from Société Générale and merger speculation.

By the close, SocGen was FFr35 or 4.7 per cent higher at FFr780, CCF was FFr14.60 higher at FFr423.60 and BNP stood FFr6.60 higher at FFr369.

Recently underperforming retail and consumer stocks were boosted by an easing of worries about the outlook for emerging markets. LVMH rose FFr61 to FFr1,091 and Carrefour was FFr200 higher at FFr4,185. Both have been heavily sold on their exposure to Asia and Latin America.

L'Oreal closed FFr195 higher at FFr3,387 and Pinault-Printemps Redoute put on FFr412 to FFr961.

Utilities group Vivendi finished FFr54 higher at FFr1,319 on speculative demand sparked by talk that the company planned presentations next week to analysts on its communications strategy.

ZURICH was firm as investors covered positions ahead of today's options expiry, with financials at the centre of attention after Tuesday's US interest rate cut.

The SMI index finished 142.9 or 2.1 per cent higher at 6,993.8 as financials basked in the spotlight in the wake of this week's cut in US interest rates.

UBS put on SFr10.50 to SFr403 while CS Group was SFr7.25 higher at SFr214.

In the insurance sector, Swiss Re climbed SFr117 to SFr3,455, Zurich rose SFr34 to SFr895 and Baloise was SFr47 higher at SFr1,270.

MILAN moved in tandem with other European bourses with the Mibtel up 402 or 1.9 per cent to 21,177.

Banco di Napoli jumped L195 or 9.5 per cent to L2,241 on the bank's nine-month results, which showed a 34 per cent rise in net profits.

Telecom Italia rose L217 or 1.7 per cent to L12,872 after the appointment of a new chief executive – Franco Bernabe, chief executive of ENI.

Bulgari gained L97 or 1 per cent to L9,655. Morgan Stanley Dean Witter issued a strong "buy" recommendation and a L13,500 target price.

MADRID rallied, led by heavyweight Telefónica and the general index rose 20.35 or 2.6 per cent to 813.59.

The gains were partly due to technical buying related to the options expiry today

Telefónica, the most actively traded issue of the day, rose Pta410 or 6.5 per cent to Pta6,680 on several positive broker recommendations following a two-day analyst presentation.

Repsol, the oil and gas group, added Pta240 or 3.2 per cent to Pta7,850 on reports that the Argentine government will allow a takeover of YPF by its future industrial partner.

Banks were strong, with Banco Bilbao Vizcaya up Pta55 to Pta2,060 and Banco Santander adding Pta125 to Pta2,675.

HELSINKI was boosted by a rally in Nokia, and the Hex index closed up 138.66 or 3 per cent at 4,650.52.

Optimism in the telecoms equipment sector lifted Nokia, which rose FM21 or 4.5 per cent to FM489.5.

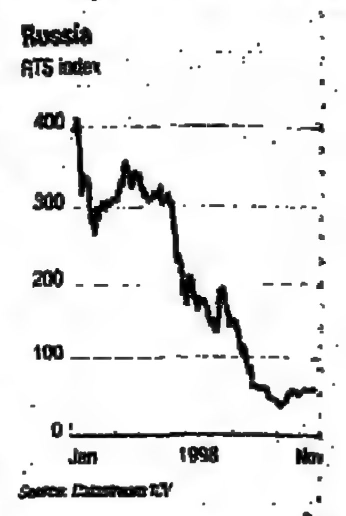
Sonera, the telecoms operator, rose FM0.90 to FM63. Harwall, the foods maker, jumped 6 per cent as the company held its biannual meeting in London.

Written and edited by Michael Morgan, Emiko Terazono, Peter Hall and Michael Peel

EMERGING MARKET FOCUS

Faint stirrings amid the gloom

In the eyes of international investors, Russia has been transformed from a paradise of opportunity into a market pariah in little more than 12 months – and it may take years to regain its former reputation.



Having frantically bid up Russian shares in 1996 and 1997 on the promise of economic growth, investors watched the whole financial edifice come crashing to the ground this year.

According to Fitch IBCA, the international rating agency, as much as $100bn of capital may have been wiped out following the collapse of Russia's financial markets and the government's effective default on its domestic debt market. The repercussions of this crash are still clanging their way around the global financial system.

With bankers and stockbrokers still being sacked by the score in Moscow, the mood remains overwhelmingly gloomy. The consensus among economists is that the government will soon be forced into printing more money to cover its gaping budget deficit, spurring inflation and further impoverishing the population.

The International Monetary Fund is likely to withhold further funding until the government clarifies how it can put its public finances in order. Russia also faces a renewed spell of political uncertainty as both parliamentary and presidential elections must be held in the next 20 months.

"There is a feeling that you may have seen the worst in most emerging markets, but that increased optimism has not yet spilled over into Russia," says Par Mellstrom, head of research at Brunswick Warburg, the Moscow-based investment bank. "The market is still in the mood to expect bad news."

There have, however, been some faint stirrings of life. In nominal terms, Russian shares have already bounced 55 per cent from their trough in October although the trading volumes have been very thin.

In addition, Mr Mellstrom argues that Yevgeny Primakov, the prime minister, has done a good job in rallying political support behind his government and may be able to push desperately needed tax legislation through the Duma, the lower house of parliament, more smoothly than previous governments.

"Twelve months ago no-one thought it was possible to reform and restructure the banking sector. Nobody thought it was possible to reduce the power of the oligarchs. Nobody thought you could get the Duma to agree to a tough budget for 1999, especially in an election year. Yet all those things are happening now," Mr Mellstrom says.

John-Paul Smith, Russia strategist at Morgan Stanley Dean Witter, says: "It is very difficult to go out and advise people to buy. You have still got a very bad news flow from the market.

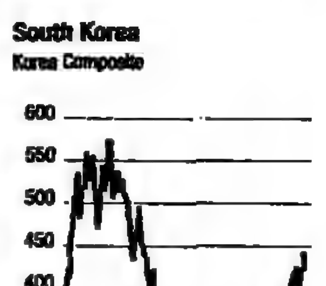
"But my feeling is that something is stirring. If Primakov can co-opt the Duma and pass tax and PSA [production sharing agreement] legislation for the oil industry, then it would alter the political landscape in a positive way," he says.

John Thornhill

Seoul soars on foreign demand

ASIA PACIFIC

Strong foreign demand for index heavyweights sent **SEOUL** 4.1 per cent higher and raised hopes for increased investment from abroad in the wake of US rate cuts. The composite index gained 17.32 to 441.06 as local institutions snapped up blue chips.



Foreigners were estimated to have bought a net Won28bn of shares, while institutional investors posted net sales of Won24.3bn, off an earlier net selling figure of Won34.5bn.

Blue chips favoured by foreigners included Samsung Electronics, which rose Won2,500 to Won69,400, and Korea Electric Power, which closed Won950 higher at Won24,950. Pohang Iron and Steel added Won2,100 to Won58,400 and SK Telecom was up Won16,000 to Won600,000.

Foreign investors were also aggressive in the futures market on speculation that rating agencies would soon raise South Korea's sovereign rating.

TOKYO pulled back amid growing scepticism over reports the government planned a cut in sales tax, *writes Naoko Nakamae.*

The Nikkei 225 Average fell 1.7 per cent or 244.77 to 14,354.46, a breath away from its low of the day after trading as high as 14,642.96. Other indices were lower, with the weighted Nikkei 300 index losing 2.43 to 220.24, while the broader Topix index of first-sector stocks fell 9.42 to 1,104.00. Volume was heavy at 515m shares, with 659 issues declining and 492 rising.

Construction shares saw heavy volume after reports that Aoki Corporation, a general contractor, had announced a large-scale restructuring programme. Aoki's shares, the most heavily traded of the day, fell Y1 to Y77 after rising as high as Y93. But other contractors made large gains, with Haseko rising 4.3 per cent or Y3 to Y73 and Shimizu climbing 3.1 per cent or Y12 to Y406.

Exporters were mixed. Pioneer continued to fall after it announced poor earnings earlier in the week. Its shares fell 8.1 per cent or Y176 to Y1,999. Toyota also slid 4 per cent or Y125 to Y2,995. But Nissan was up Y14 to 356 and Honda Motor rose or Y80 to Y4,410.

In Osaka, the OSE index was down, falling 67.54 points to 14,962.75.

BANGKOK was propelled 3.9 per cent higher in a late rally fuelled by speculation that Thai Military Bank might soon close an equity deal with foreign partners. Thai Military closed Bt2.35 higher at Bt10.75, pulling the financial sector up almost 9 per cent and the SET index 13.43 to 358.56.

Most key sectors ended higher. Building stocks jumped 8.6 per cent and chemicals were 8 per cent higher.

JAKARTA built on Wednesday's rise as the steadiness of the rupiah continued to encourage investors. The composite index rose 9.13 or 2.5 per cent to 379.12, adding to the previous day's 3.9 per cent increase.

Several companies benefited from a belief that the currency stability would help limit their foreign exchange losses. Hanjaya Mandala Sampoerna, the cigarette company, which made a net loss of Rp752.5bn in the first nine months of this year, jumped Rp600 or 15.1 per cent to Rp4,575.

Telekomunikasi Indonesia, the partially privatised telephone utility, climbed Rp150 or 5.7 per cent to Rp2,775. Telekom returned to the black in the third quarter of this year after sustaining a Rp1,176.7bn first-half loss.

Indofood, the food manufacturer, gained Rp175 or 5.2 per cent to Rp3,550.

SINGAPORE closed sharply up for the second day running as foreign investors bought shares in blue-chip companies and property stocks. The Straits Times index finished 44.85 or 3.6 per cent higher at 1,316.55.

City Developments, the property company, enjoyed one of the biggest rises. It finished S$1 or 14.6 per cent higher at S$7.85.

The most actively traded stock was Keppel Land, part of the diversified Keppel group, which climbed 17 cents or 9.6 per cent to S$1.95.

TAIPEI reached a three-month high, buoyed by government and central bank efforts to urge banks to keep credit flowing to healthy companies.

The weighted index rose 200.20 points or 2.8 per cent to 7,300.34, its highest level since it closed at 7,371.84 on August 15.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

½ hour period ending	Proposed Price to Trading on 20.11.98: Pool purchase price £/MWh	Final Prices to Trading on 21.10.98: Pool purchase price £/MWh	Pool selling price £/MWh	TS use of system price £/MWh
0030	26.90	9.37	9.37	0.00
0100	19.90	9.37	9.37	0.00
0130	17.71	9.39	9.39	0.00
0200	25.71	11.27	11.36	1.17
0230	25.71	11.27	11.36	1.17
0300	25.71	11.27	11.36	1.17
0330	25.71	11.27	11.36	1.17
0400	19.58	11.27	11.38	1.17
0430	19.58	11.27	11.38	1.17
0500	19.56	9.39	9.39	0.00
0530	19.28	9.35	9.35	0.00
0600	19.28	9.35	9.35	0.00
0630	19.23	9.37	9.37	0.00
0700	19.78	9.70	9.70	0.00
0730	25.28	15.67	15.76	1.17
0800	19.29	27.05	27.16	1.17
0830	24.99	53.95	54.06	1.17
0900	33.76	53.95	54.07	1.17
0930	33.82	34.18	34.29	1.17
1000	55.95	34.18	34.29	1.17
1030	57.87	22.66	22.76	1.17
1100	38.45	22.66	22.76	1.17
1130	38.45	22.68	22.77	1.17
1200	36.44	22.66	22.77	1.17
1230	36.41	22.66	22.76	1.17
1300	33.78	22.65	22.74	1.17
1330	33.75	25.04	25.13	1.17
1400	32.66	22.03	22.13	1.17
1430	22.80	22.03	22.13	1.17
1500	22.80	22.03	22.13	1.17
1530	12.04	22.03	22.13	1.17
1600	33.40	15.65	15.75	1.17
1630	61.27	15.66	15.75	1.17
1700	71.70	21.19	21.28	1.17
1730	83.78	22.73	22.83	1.17
1800	86.24	22.80	22.93	1.17
1830	59.43	43.57	43.75	1.17
1900	44.76	61.10	61.28	1.17
1930	38.64	61.04	61.20	1.17
2000	37.98	28.65	28.78	1.17
2030	32.86	26.51	26.60	1.17
2100	27.65	26.50	26.60	1.17
2130	16.40	22.50	22.60	1.17
2200	15.65	22.60	22.60	1.17
2230	15.65	22.72	22.81	1.17
2300	15.66	22.22	22.31	1.17
2330	9.38	22.22	22.31	1.17
2400	9.38	22.22	22.31	1.17

Prices are determined for every half-hour of each twenty-four hour period. Prices are in pounds per ...

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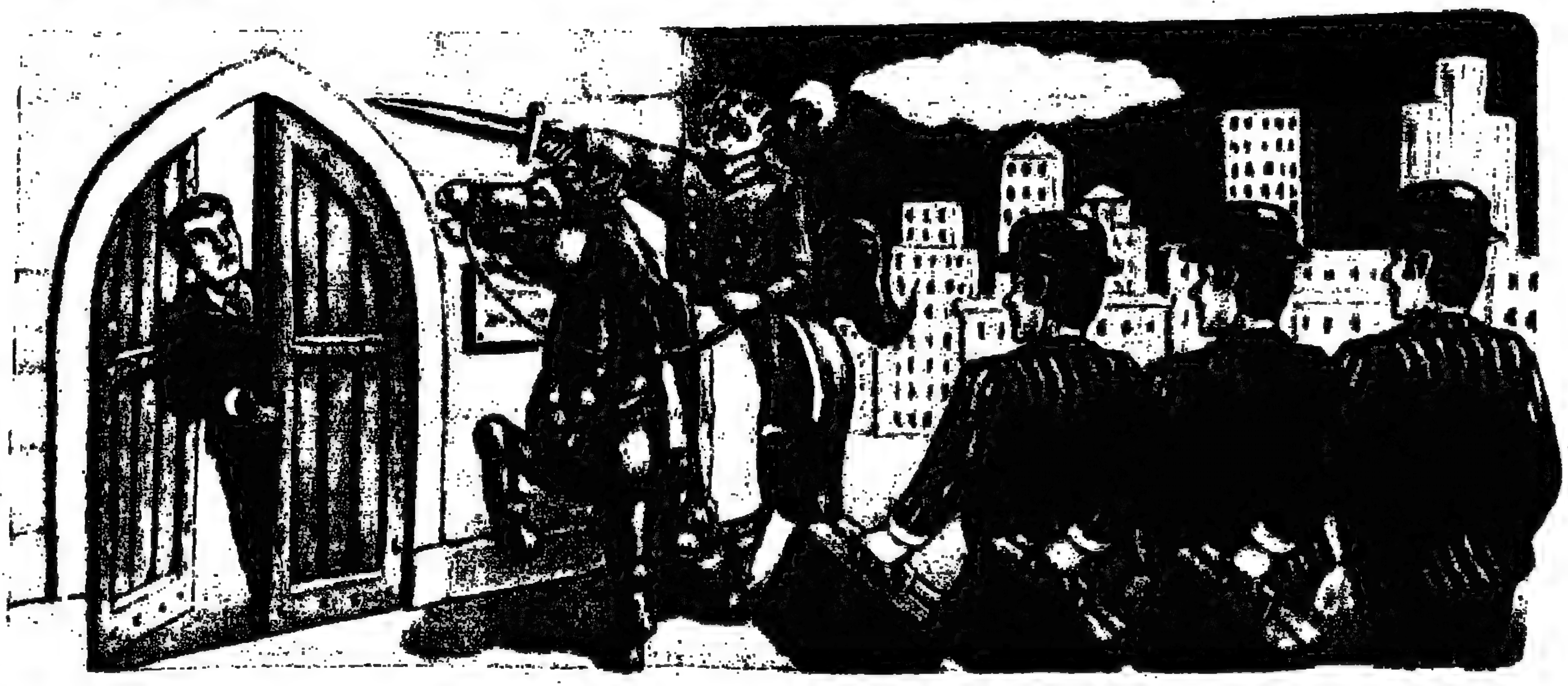
FINANCIAL TIMES SURVEY

FT DIRECTOR

FRIDAY NOVEMBER 20 1998

Quarterly Review

A charter to catch cartels



Going by the book will no longer be enough. Companies will have to consider the effects of their actions in future, warns Kevin Brown in this introduction to the UK's new competition law

The Competition Act, which has just become law, is the biggest shake-up in British competition law since the Office of Fair Trading was set up 25 years ago.

It brings UK competition regulation into line with the European Union for the first time, gives sweeping new powers of investigation to the OFT and opens the way for massive fines if companies break the rules. *Directors and employees can be* sent to prison for obstructing investigations.

"This is going to be a big change," says John Bridgeman, the director general of fair trading. "People are going to recognise that we can actually make things happen, should we have to, in a way that we were not able to before."

The new regime replaces the Restrictive Trade Practices Act and other legislation based on the concept that the objective of competition policy was to ensure registration of potentially anti-competitive agreements rather than to prevent or detect them.

The gains to economic productivity could be substantial. An academic estimate published in *Industrial Economics* earlier this year suggested that the loss to the UK economy from monopolistic behaviour was at least 1 per cent of gross domestic product, or about £7.5bn at 1996 prices.

Neither the government nor the OFT claims that the new legislation will save as *much as that*. But *senior* OFT officials say that even a small change in the general level of anti-competitive behaviour would produce significant savings.

There may also be substantial savings at the level of individual companies because the legislation scraps the previous prequirement for companies to notify the OFT about every agreement they make with other companies, at an average cost of about £2,000.

No one has a firm idea how much the new regime will cost companies because it is not clear how much notification will continue to take place. But internal Trade and Industry Department estimates suggest the impact could range from a *saving of £2m a year to a net* cost of £4m.

At the heart of the Act lie two broad prohibitions based on articles 85 and 86 of the Treaty of Rome, the basic law of the European Union. The first prohibits any anti-competitive behaviour which affects trade and the second prohibits the abuse of market dominance by powerful companies.

The first prohibition represents a sea change in British law because it bars any behaviour which reduces competition, even if companies have reached no express agreement.

This means, for example, that widely accepted behaviour which has the effect of excluding competitors may be illegal, even if it has *never been discussed or written down.*

This clause, described by the OFT as "effects-based", is a dramatic change from the "form-based" competition regime it replaces, under which some companies spent a lot of time arriving at a form of words which would allow an agreement to be registered even though it was in fact anti-competitive.

There will be a range of exemptions and exclusions, and the OFT says it will take no action against agreements unless they have an "appreciable" effect.

Companies with combined market share of less than 25 per cent are unlikely to be affected unless they are fixing prices.

The Act instructs the OFT *and the courts to enforce the* prohibitions in line with 30 years of European Union jurisprudence and sets up an appeals tribunal as part of a new Competition Commission – in reality, a renamed Monopolies and Mergers Commission – to ensure consistent judgments.

It gives the OFT unprecedented powers to demand information, and to carry out dawn raids, with the use of force if necessary, where it suspects that anti-competitive behaviour is taking place.

Directors and employees who obstruct the investigators could face unlimited fines or even two years in prison. People's homes can be searched if business papers are kept there and *companies could face fines of* up to 10 per cent of their turnover for breaking the rules.

The OFT will be actively seeking assistance from whistle blowers, with a special telephone hotline and guaranteed confidentiality until court proceedings begin. Investigators are already being trained in how to deal with hot information.

Mr Bridgeman also has power under the Act to suspend activities of companies that are suspected of being anti-competitive while the OFT investigates, guaranteeing speedy redress for victims but leaving alleged offenders open to severe business disruption.

The OFT says the legislation will allow it to mount an effective and speedy defence of competition, offering real protection to victims of anti-competitive agreements for the first time and seriously deterring potential offenders.

Senior OFT officials say that one of the key differences will be the ability to take rapid action against anyone who tries to fix prices.

It has always been possible to catch the worst cartels but it took nearly a decade, for example, to nail the British cement cartel, which was fined £8m in 1995.

The main provisions of the Act will come into force in March 2000, but there is growing concern that many companies are leaving it too late to make sure they comply with the law.

"I am worried that too few companies realise its significance," says Rupert Ogilvie Smals, chairman of the Confederation of British Industry's competition panel.

"Managers need to be aware of what will be regarded as uncompetitive behaviour or they could face hefty fines."

A recent survey by Cameron McKenna, the London-based law firm, found that only 16 per cent claimed to be very familiar with the legislation and 38 per cent said they had little or no knowledge of it.

Continued on page 3

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THE COMPETITION ACT by Peter Mandelson, trade and industry secretary

The life blood of the economy

Free and fair competition is the life blood of a competitive economy. Competition is the spur to innovation, enterprise, investment and productivity growth. UK companies need this spur if they are to be fit to meet the challenges of the modern global economy. We cannot afford weak, uncompetitive, domestic markets, in which cartels, abuses of dominance and other anti-competitive behaviour hold back genuine enterprise, competitiveness and wealth creation.

It is true that politicians of all parties recite these truisms but *only this government* has put the words into actions. The laws against anti-competitive behaviour in this country have been allowed to become outmoded and largely ineffective. Reform is long overdue. The failings of the current legislation are well known: it is unacceptably slow, bureaucratic and weak, and is sadly lacking in any real penalties or deterrence, or recompense for those who are damaged. That is why the government brought forward new legislation within six months of coming to office.

The Competition Act 1998 will put these failings right. It is the most important reform of competition law in the UK for more than a quarter of a century, and will make significant changes to the business environment. For this reason we have allowed a generous period for the transition to the new regime, with the main provisions of the Act coming into force on March 1, 2000.

Although some of the changes are straightforward, it is important that business understands them fully beforehand. The act introduces a prohibition system

Free and fair competition is the spur to innovation, enterprise, investment and productivity growth

modelled on EC competition law where anti-competitive agreements and abuses of market dominance will be prohibited. As a result, business will be far better protected from companies which seek to rig the market against them, or to abuse a dominant market position. In return, they will have to take greater responsibility to avoid anti-competitive behaviour themselves.

Prohibition-based systems already operate in much of the Organisation of Economic Co-operation and Development countries and it is recognised that the prohibition approach provides a far more effective and efficient means of deterring anti-competitive behaviour. Unlike much of the UK's current form-based legislation, the new law is concerned with real effects, and it will target only that behaviour which actually damages competition.

For the first time the director general of fair trading will have genuinely effective powers of investigation and enforcement. Infringements of the new prohibitions will be unlawful, and financial penalties and civil action for damages may follow. Where appropriate, the director general will be able to impose interim measures to bring an immediate stop to seriously anti-competitive behaviour while his investigation is completed, unlike in the past when small companies went out of business while the competition authorities conducted their inquiries. The utility regulators will have the same powers in their sectors.

We are clear that full rights of appeal must go hand in hand with these stronger powers. A new Competition Commission will take over from the Monopolies and Mergers Commission, and a new tribunal, within the commission, will hear appeals against the director general's decisions under the new law. The tribunal will have equivalent status to the High Court.

Alignment with the EC competition rules is in itself an important feature of the new regime. For too long British companies have had to deal with two completely different sets of rules, one at domestic and one at European level. This puts UK companies at a disadvantage compared to many of their competitors elsewhere in the EU. The new law will finally give us a system which works in harmony with the European rules.

In short, the new act will ensure that the UK has the modern and effective system of competition law that is a prerequisite to efficient markets and competitiveness. It will strengthen our economy, bringing significant benefits to consumers and business alike.

FT Director

Welcome to the first issue of FT Director, a new quarterly publication designed to provide directors of companies with the information that they need for many of the important personal and business decisions they have to take.

The range of topics every quarter will embrace finance, human resources, and strategy as well as developments in ethical areas, such as corporate governance, community involvement and environmental policy.

In addition, regular columnists will offer their own reflections on taxation, law, information technology, and other specialist subjects.

In this first issue we look at the very important changes that have been introduced in the rules governing ant-competitive behaviour as a result of new UK legislation. We also examine how legal firms are gearing up to provide services to globalising clients and look at some of the issues surrounding the way companies communicate with their key constituencies.

In the next issue, due to appear on March 12, we will be covering in more detail *how to manage in a* downturn, with a number of special articles on credit management, as well as looking at executive remuneration policies and strategies for protecting and developing brands.

In the issue of June 24 the main focuses will be corporate risk management, corporate governance in continental Europe and fleet finance options.

Other topics which are scheduled for later in the year include a special look at what management consultancies can offer and an examination of the emerging skills gap and the likely impact it will have on business.

If you have any suggestions for future coverage or any comments on this first issue, please contact, Nicholas Leslie, Editor, FT Director, FT Surveys, One Southwark Bridge, London, SE1 9HL, or fax +44 (0)171 873 3197. (E-mail Nick.Leslie@FT.com).

For copies of the synopsis of the next issue, or for details of advertisement positions, please contact William Macleod, at the above address. Tel +44 (0)171 873 3699. Fax +44 (0)171 873 4296. E-mail William.Macleod@FT.com.

FINANCIAL TIMES SURVEYS

IN THIS ISSUE

Editorial production: Sarah Murray
Front cover illustration: Rod Hunt

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FT Director

PROFILE
JOHN BRIDGEMAN

Believer in the art of persuasion

Britain's competition enforcer plans to adopt a subtle approach in the exercise of his considerable new powers

Asked how it feels to be one of the UK's most powerful unelected officials, John Bridgeman, director general of fair trading, looks blank. Then he recovers his equilibrium. "I'm not sure that powerful is particularly an adjective that I would choose," he says, picking his words with care. "I have power to enforce the law, but my objective is that those powers will not have to be deployed with extravagance; my objective is to persuade people to stay within the law."

It is a lawyer's answer, carefully calibrated to make clear that the authority he wields stems from parliament, and is circumscribed by law. He looks rather like a lawyer, with his blue pinstripe and gold watch chain. Subordinates who wait, like junior counsel, to offer a word of explanation or qualification reinforce the impression.

He might be a soldier, too. He has the air of a senior officer plucked from the front line to liaise with a lot of tom-fool politicians. This is not too far from the mark. He spends much of his spare time being honorary colonel of the Queen's Own Oxfordshire Hussars, a smart territorial regiment of royal yeomanry.

Yet, Mr Bridgeman is not a lawyer, or a soldier, or even a career civil servant. He is a chemist (University College, Swansea), turned economist (Oxford and Montreal) and management theorist (Keele). He is also a businessman who worked his way up from graduate trainee to managing director of British Alcan Aluminium.

For the past three years, he has been director general of the Office of Fair Trading, in the period – perhaps its most important since being established 25 years ago – when the politicians have finally acted on its decade-old demands for radical changes in the competition regime.

The fact that the changes are happening on his watch clearly gives Mr Bridgeman pleasure, although he does not say so. He also resists an invitation to blame a weak Conservative government for the years of delay, which ended only when the incoming Labour administration told the Civil Service to make competition law a priority.

"There wasn't the political imperative," is all he will say of the delay in updating competition law. "People would say 'well, the OFT is not doing that bad a job; you've just taken the cement cartel to the High Court and fined them £8m – you have powers, you are just not applying them well enough'."

Yet, he is scathing about the regime being replaced by the Competition Act, principally the Restrictive Trade Practices Act, which provided few investigatory powers and was aimed more at ensuring that companies registered the wording of agreements than at preventing abuses.

The RTPA, he says, was "essentially form-based, not effects-based. Not surprisingly, it meant that a great deal of emphasis was in constructing agreements whose form did not offend, but which had the potential to have anti-competitive effects".

The new act, he says with a touch of asperity, merely brings the UK into line with the Sherman Act, part of the US competition regime, passed in the 1890s. "106 years old today, and we are having something which is [taking effect in] 2000. We missed the twentieth century," he says.

There are, he says, plenty of good reasons why the old regime had to go. "The fact that we had bus companies being subject to predatory pricing, but they had gone out of business by the time inquiries had come to an end, is a very poor reflection on the regime which the state provides for business.

"The fact that these very serious offences can have been committed, which in many countries would fall foul of the criminal jurisdiction . . . and all that a court can do is to ask the parties for an assurance that they will not do it again is a poor reflection of a modern business climate."

But now the OFT has real powers to investigate, even to carry out dawn raids on companies it thinks are not co-operating; it can suspend agreements while investigations are carried out; and companies judged to be breaking the rules can be fined 10 per cent of their turnover.

He says there is no danger the pendulum will swing too far the other way. The potency of the new powers lies not in their deployment, but in their deterrent effect. "People are going to realise that we can actually make things happen, should we have to, in a way that we were not able to before."

But there will be no attempt to use the sledgehammer unless it is needed. "I would hope that the OFT already has sufficient credibility, sufficient respect in the business community, that any one of my case officers, investigating officers, lawyers, could go to virtually any company in the land and say we are pursuing certain investigations . . . this is the information that we require, and in most cases that is what we get."

To reinforce this credibility, the OFT is going through a substantial shake-up that will put new people into most senior jobs in the competition policy division, beef up the cartels branch and introduce a new generation of case officers and legal advisers.

Mr Bridgeman does not see as a huge problem the fact that surveys have shown confusion in the business community about their legal responsibilities because the act has only just been given royal assent, and many of its provisions do not come into effect until March 2000. Also, he says, many directors of large companies do know what the new law requires, even if many in smaller organisations do not.

"It must be a priority that we give small and medium-sized businesses the most help in understanding this law, because, frankly, they are not well resourced to go through this," he says.

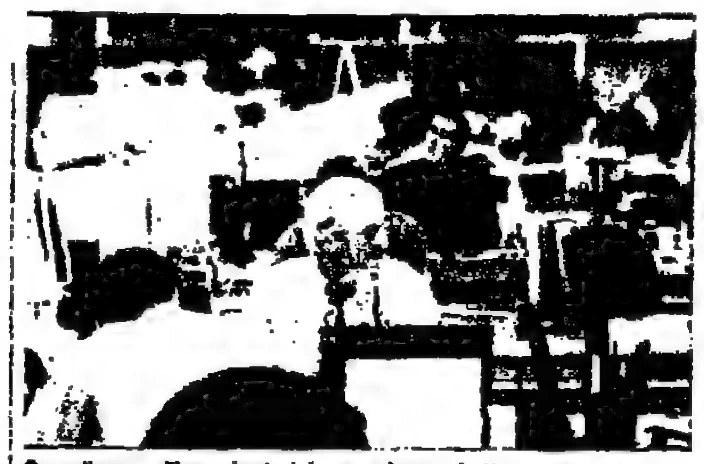
The OFT is determined, he says, to make sure that the legislation is understood by the time it comes fully into force. But he leaves little doubt that companies would be well advised to make sure they understand their responsibilities, because the law will be enforced with the utmost rigour.

"The benefit of clear law is that you can implement it robustly with confidence," he says.

There could hardly be a clearer warning. The lawyer in Mr Bridgeman may not like to be seen by outsiders as personally powerful, but the soldier will be pulling no punches.

"I'm going to be robust," he says. "Firm but fair."

Kevin Brown



Compliance will require training employees in the new requirements of the law

A charter to catch cartels

Continued from page 1

"Compliance requires a careful review of existing agreements and business practices, training staff in the new requirements and putting in place procedures to ensure continuing conformity with the law," the firm said.

"Even companies which monitor their activities against the requirements of existing EU competition law need to take action. The new regime will apply to many agreements and practices which, because their effect is purely domestic, are not caught by community law," it added.

Companies which are not already taking steps to make sure that they do not break the EU rules will need to set up compliance regimes to make sure that behaviour which was acceptable under the previous regime does not get them into severe trouble under the new one.

They also need to be aware of the possibility of civil action for damages by third parties that claim to have been victims of anti-competitive behaviour.

The Bill makes no explicit provision for such actions but most lawyers believe that it will take place, possibly on a contingency fee basis.

Despite the lack of preparations among companies, the new law has broad support among competition lawyers.

Peter Willis, competition specialist at Taylor Joynson Garrett in London, says it should achieve its objectives of making cartels nervous and giving heart to victims of anti-competitive behaviour.

"The Competition Act has a much better chance of catching cartels than the existing rules," he says. "If the director general of fair trading cannot catch them with the powers he will have then he is never going to.

"In a number of cases in the past, clients of mine have known they are being stitched up by the competition and there has been little they could do about it. The new powers will make a complaint much more worthwhile," says Mr Willis.

THE MAIN PROVISIONS by Kevin Brown

Calling a halt to cosy agreements

The OFT is now equipped to be effective against both anti-competitive behaviour and moves to dominate markets

The Competition Act introduces a radically different system of law from the two main pieces of legislation that it replaces, the 1976 Restrictive Trade Practices Act and the 1980 Competition Act, which the Office of Fair Trading has regarded as ineffective for at least a decade.

Broadly, the act creates a regime under which anti-competitive behaviour will be illegal, whether or not an agreement between companies is spelt out. The OFT will also have tough powers of investigation, and will be able to impose heavy fines for infringements of the rules. It will investigate anti-competitive monopolies, but the government has retained the monopolies and mergers provisions of the 1973 Fair Trading Act, for use in cases where, for example, the OFT wants to mount a broad industry-wide inquiry rather than one aimed at a particular company or group of companies.

The act is based closely on articles 85 and 86 of the Treaty of Rome, bringing the UK into line with the European Union. The OFT will be required to interpret the act in line with European case law, avoiding conflict between the two competition regimes.

There are two main provisions:

- The chapter one prohibition, aimed at anti-competitive agreements which have the object or effect of restricting competition with the UK, and which affect trade. The prohibition extends to trade associations, and to concerted practices, where businesses knowingly co-operate rather than compete, even where they have not expressly entered into an agreement. Agreements will fall foul of the prohibition only if they have an "appreciable" impact. The OFT says (not) that most agreements where market shares fall below 25 per cent will not have appreciable effects. The exception will be agreements that involve price fixing, which will be regarded as appreciable, however small the market share involved.
- The chapter two prohibition, aimed at abuses of dominant market positions. It will not be illegal to hold a dominant position, only to use that dominance anti-competitively. There is no clear definition of market dominance, but the OFT is likely to regard it as being when companies have more than 40 per cent of a market. Officials say companies with market shares below 40 per cent may be viewed as dominant in some circumstances. The OFT also has wide discretion in determining the relevant market, and is likely to be prepared to examine narrower geographical markets than the European Commission.

> 'The new UK legislation allows companies to ask for confidential guidance by the OFT'

There are several automatic exclusions and exemptions, including mergers, agreements exempted by the EU, and related restrictions such as agreements by vendors not to compete for a certain period with businesses they have sold. Any agreement registered under the Restrictive Trade Practices Act which has not been referred to the Restrictive Trade Practices Court will be excluded.

The OFT will take into account EU "comfort letters" (informal guidance to companies on the legal status of an agreement) and "vertical agreements" between companies at different levels of the supply chain have been excluded pending a review of the EU approach.

The main practical difference for many companies will be that they will no longer be required to notify the OFT of all agreements with other companies. They will be expected to decide for themselves whether an agreement appreciably restricts competition. If none of the block exclusion or exemptions applies, it may be possible to gain an individual exemption from the OFT on the grounds that the benefits of an agreement outweigh its anti-competitive effects. This might be granted if the agreement contributes to improving production or distribution, promotes technical or economic progress, and allows consumers a fair share of the benefits. However, the OFT would also take into account the extent to which competition was weakened.

Unlike the EU competition regime, the UK legislation allows companies to ask for confidential guidance by the OFT on the legality of an agreement as an alternative to seeking a legally binding decision, which will be a public document. Seeking guidance rather than a decision would avoid unwanted publicity, but would provide less protection against a civil suit for damages brought by a third party.

Guidance that an agreement was unlikely to infringe the law would prevent the OFT from reopening the case, unless circumstances changed, and confers immunity from fines, unless the case is reopened because incorrect information had been supplied. The act makes no provision for comfort letters of the sort issued by the European Commission, but some cases might be dealt with in that way.

The act comes into force in full in March 2000. Then, the chapter two prohibition will apply to both existing and new market practices. Chapter one will apply to agreements entered into subsequently; most agreements entered into before March 2000 will be excluded for at least a year.

Some will be exempted for five years, including a few agreements found by the restrictive trade practices court to be in the public interest, and agreements subject to the Financial Services Act and the Broadcasting Act. A special provision gives a five-year agreement to a number of electricity, gas and rail agreements approved by the sector regulators, the transport secretary or the rail regulator.

COMPLIANCE

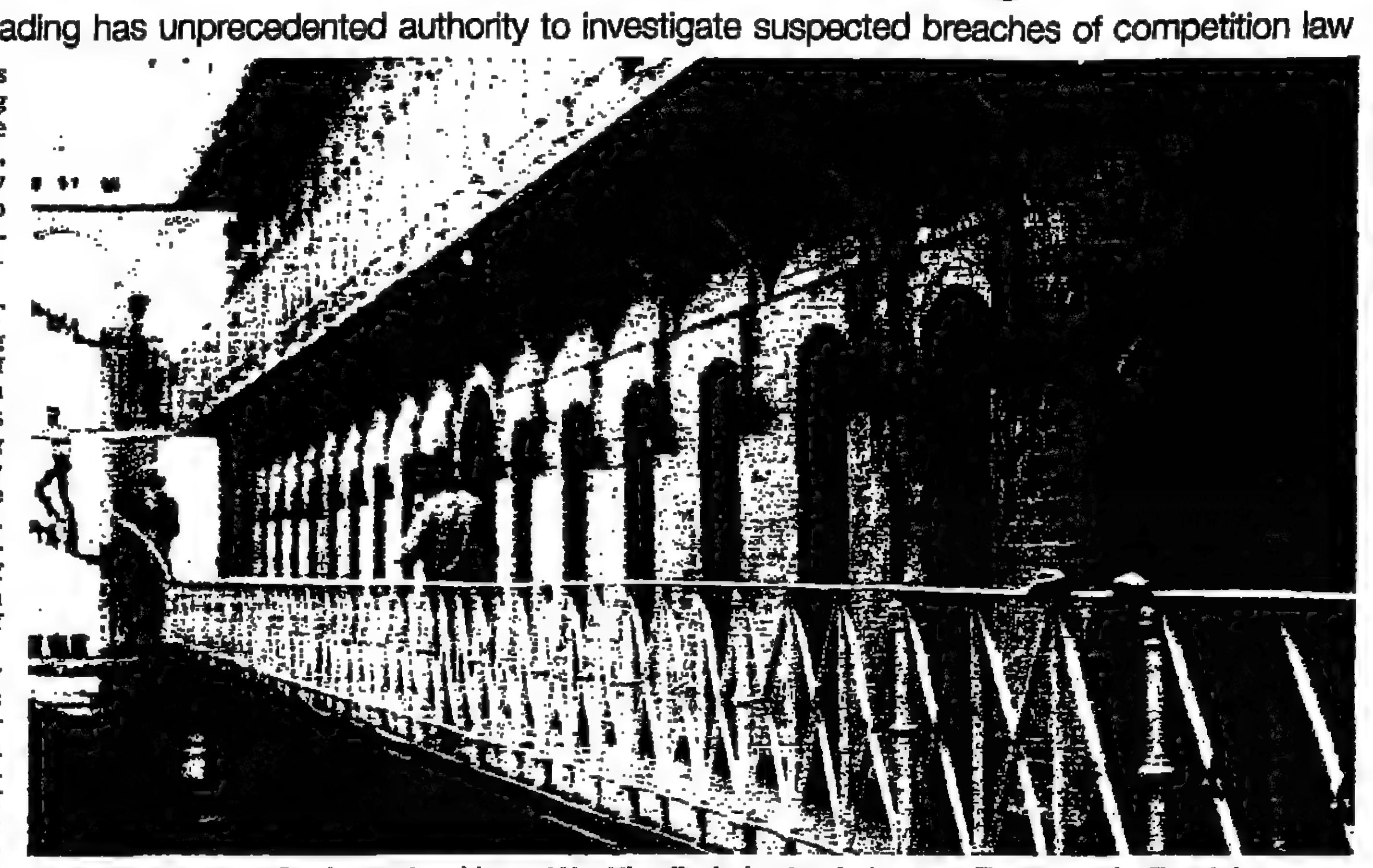
Powers in its own right

The Office of Fair Trading has unprecedented authority to investigate suspected breaches of competition law

The Competition Act gives the Office of Fair Trading tough new powers to enforce compliance with the law, including the right to carry out unannounced visits to business premises – popularly known as dawn raids – for the first time.

Paradoxically, the OFT has for years been carrying out dawn raids on behalf of the European Commission in cases where UK companies were suspected of breaching articles 85 or 86 of the Treaty of Rome – the basis for the new domestic legislation. OFT officials made nine visits to companies on behalf of the EU in 1996, and seven in 1997, of which about half were unannounced.

But the agency had few powers of investigation in its own right under the former competition regime, which was widely regarded as cumbersome and incapable of providing either a significant deterrent to anti-competitive behaviour or adequate remedies for victims.



Strong deterrents: concealing documents or lying could land the offender in prison for two years. The OFT says it will rarely have to use its powers to search because people will not want to risk being subjected to the penalties available

Competition lawyers say that the OFT is thought to have acquitted itself well in carrying out raids on behalf of the EU. It is one of the few national competition authorities permitted to make such visits without supervision by Commission inspectors. But the powers given to the OFT under domestic law are even more sweeping than those it wields under EU law.

The Act gives the OFT three main powers of investigation, any of which can be used if the agency has reasonable grounds for suspecting that an infringement of either of the main prohibitions has taken place.

- Specified documents and information must be produced on demand. This includes down-loading computer information, and estimates and forecasts if required. Officers and employees must give any explanations necessary.
- John Bridgeman, the director general, can authorise inspectors to enter premises, request and copy documents and seek answers,but not to carry out a search. Companies thought to be party to an illegal agreement need be given no warning. Domestic premises are excluded, but not if business documents are kept there.
- If the OFT thinks that documents have been withheld, or might be concealed or destroyed, it can ask a judge for a search warrant. Under this power, force may be used, and original documents can be seized.

There are a number of protections for business people, but also some uncertainties about how these powers will be used in practice. For example, the OFT is obliged to wait for "a reasonable" time for legal advisers to arrive before carrying on with a raid. Procedural rules have yet to be issued, but lawyers assume that inspectors will in practice allow about an hour, as they do when acting for the EU.

Unlike EU competition law, the Act makes in-house legal advice privileged – meaning it need not be divulged. But since alleged offences under domestic law may also be offences under EU law, companies will need to be careful about relying on this provision.

The investigative powers of the OFT are also circumscribed by the European Convention on Human Rights, now incorporated into UK law, which allows suspects to refuse to incriminate themselves by answering questions which would constitute an admission of an infringement.

The OFT says that this right does not extend to purely factual questions. However, some lawyers say that recent judgments by the European Court of Human Rights suggest it may.

"However wide the privilege, it will be a matter of judgment whether or not to assert it against OFT inspectors in a given case," says Taylor Joynson Garrett, the London firm. "Refusal to answer questions is likely simply to lead to the OFT relying more heavily on its powers of search and drawing inferences from documents discovered."

The OFT says it expects few businesses to refuse to co-operate with investigations once penalties for doing so are explained. These are severe, especially by comparison with the virtual absence of penalties under the former legislation.

The OFT still has no formal power to interrogate suspects. But obstructing an investigation becomes a criminal offence punishable by an unlimited fine, while obstructing an officer armed with a warrant, concealing documents or lying could land the offender in prison for two years.

The OFT says it will rarely have to use its powers to search because people will not want to risk being subjected to the penalties available. "Faced with this battery of deterrents, few people will fail to co-operate once the penalties are explained to them," says Henry Emden, assistant director of the competition policy division. "When working for the EU we go along without a warrant in most cases and there is little difficulty about that. People have only refused to co-operate two or three times since Britain joined the community."

TRANSITION PERIOD

Towards a new regime in stages

Companies should not be complacent about the period of grace that precedes the full introduction of anti-competitive law

Companies have 15 months to get used to the main prohibitions in the Competition Act before they become law in March 2000. But that does not mean that the issue can be shelved until then. The act includes a complex transitional regime which came into force on Monday, November 9, the day the Queen gave royal assent to the legislation.

The transitional regime is mainly designed to give the Office of Fair Trading time to implement the massive organisational and administrative shake-up needed to establish staff and systems to enforce the new law, much of which could not start until royal assent had been given. The intention is to allow the OFT to clear its outstanding case load under the Restrictive Trade Practices Act, and to allow officials to concentrate on the new regime by sharply reducing the flow of notifications under the RTPA during the interim period.

Although the details of how this will work run to about 50 paragraphs in schedule 13 of the Competition Act, the main thrust of the transitional arrangements is simple. The RTPA continues in force, but virtually all new agreements become non-notifiable. In particular, the OFT is relieved of its duty to bring agreements before the Restrictive Trade Practices Court or issue a direction that they are not anti-competitive.

This does not apply to price fixing agreements, and OFT officials say they will be putting a lot of effort into making sure that there is no question of action not being taken during the transitional regime. "Even though companies do not have to comply with the bureaucratic requirements of the RTPA, no one should think that there is going to be a holiday for cartels. We will still be going after them," says a senior OFT official.

More importantly, companies will be able to apply during the transitional period for early guidance on whether agreements struck after November 9 are likely to be in breach of the chapter one prohibition in the new legislation, which prohibits any behaviour which may have anti-competitive effects. Early guidance will have the same effect as formal guidance given after the prohibitions come into full effect in 2000. This means clearance by John Bridgeman, the director general, would prevent the OFT reopening the case unless it subsequently receives a complaint or decides it was given wrong information.

'There are benefits in notifying the regulator that an agreement exists'

However, the director general will have some problems, at least in the early stages of the transitional regime, because some of the technical details of the legislation relating to thresholds and definitions have not been finalised. Vertical agreements, which deal with relationships between companies at different levels of the supply chain, are also excluded pending the results of a review of European law being carried out by the European Commission.

This means that some early guidance may have to be issued on a provisional basis. And although the OFT has undertaken to deal with all applications as quickly as possible, Mr Bridgeman may have to delay his response in cases where technical uncertainty persists.

OFT officials point out, however, that this should not deter companies from seeking guidance, because there are substantial benefits in notifying the regulator that an agreement exists, not least immunity from penalties if the agreement turns out to be in breach of the prohibitions when they come into force.

Most existing agreements will be excluded from the provisions of the new act for between one and five years, depending on the way they were dealt with under the previous legislation. However, the OFT has been given claw-back powers allowing it to reopen any agreement it subsequently considers may be anti-competitive.

The OFT says the transitional arrangements are intended to assist business in adjusting to the new regime, "not as a means for seriously anti-competitive behaviour to escape competition scrutiny". Officials say that Mr Bridgeman will terminate the transitional period for any agreement he considers would infringe the chapter one prohibition and would be unlikely to qualify for exclusion.

CONVERGENCE

Different paths to the same goal

Because UK and EU legislation does not coincide in all areas, companies may be faced with uncertainties

European legislation

The Competition Act brings the UK broadly into line with both the competition law of the European Union and the national competition regulations of most member states. There are significant differences from EU rules, however, and in many respects, the new regime is weaker than comparable regulations in North America.

The legislation is directly based on articles 85 and 86 of the Treaty of Rome, the founding document of the European Union. This means that companies will be able to choose whether to notify the Office of Fair Trading or the European Commission of any agreement that might breach the rules.

The OFT says that notification should normally be to the Commission if trade between member states is affected. Any exemption granted by the Commission would also exempt the agreement from domestic law, but an exemption under the Competition Act would have no effect on EU law.

In a controversial general principles section already labelled the Klondike clause by some lawyers, the OFT and the courts are instructed to interpret the act wherever possible in the light of European Court decisions.

The government says that this will ensure consistency of interpretation between the EU and the UK, and ensure that companies do not face conflicting sets of competition regulations.

"We have framed the competition regime so you don't get that kind of conflict," says a trade and industry department legislator. "We have used the same words, it is interpreted in the same way, and you should get the same answers."

This is not a universal view, however. The House of Commons library, in a research paper published in April, pointed out that EU competition law is primarily intended to underpin the single market in goods and services, which is not an issue for domestic law.

"This may mean that some EC [sic] jurisprudence which is well established may not, in fact, necessarily apply to interpreting some areas of the UK bill because those decisions were decided on single market grounds," the library said.

There are other areas of uncertainty in deciding how to interpret the legislation. The OFT has said that if the parties to a restrictive agreement have a market share of less than 25 per cent they will probably escape attention because the effect on competition will not be regarded as appreciable.

These thresholds differ from those used by the European Commission, which operates a 10 per cent threshold for vertical agreements (those involving companies at different levels of the supply chain), and 5 per cent for horizontal agreements.

'The question of what is a relevant difference will have to be settled by the courts'

The different approaches may cause some difficulties for companies, although lawyers say that the principal effect is likely to be to encourage firms not to notify restrictive agreements whose main effect is felt in the UK. Some companies may also face difficulties in judging the weight to be given to "comfort letters" which are issued by the European Commission – an administrative rather than legal judgment on the legality of an agreement.

John Bridgeman, director general of fair trading, has said he will not depart from the commission's assessment "as a general rule". However, he has warned that he retains the right to do so on a number of grounds, such as the existence of particular concerns in the UK.

Other differences between the UK and EU legislation include the extent of investigatory powers, the treatment of legal privilege, criminal sanctions for non-compliance, penalties, and the rights of third parties to sue for damages.

Most of these are likely to be uncontroversial. But lawyers say significant legal debate may well arise over the effects of a provision that UK precedent can be followed if there is a relevant difference between the UK and the EU. The question of what is a relevant difference will have to be settled by the courts, but some lawyers say it could extend to areas such as the procedural rules followed by investigators, as well as substantive issues such as the structure of business sectors.

Richard Taylor, head of competition policy at Cameron McKenna, the London-based law firm, says the act is a welcome development because it clears up what he says is the "mess" of the previous legislation.

But he sees scope for legal challenges. "When a company is challenged it is going to use all available lines of defence, and the first question is going to be whether there is a difference between UK and EU law," he says.

The government view is that this is unduly pessimistic. Ministers believe the courts will quickly establish the fact that the bill is to be interpreted in a common-sense way, closing off the possibility of protracted litigation.

"Because the regime has real teeth, and companies may be fined up to 10 per cent of UK turnover, I expect clever lawyers to find ways of alleging that their clients are innocent of any infringements alleged," says one of those involved with the passage of the bill through parliament. "But compatibility problems will be confined to areas where the UK has departed from the EU system, which are clear, and it will be obvious what the law means. There will be cases, but uncertainty is inherent in an effects-based system."

Reports on this page by Kevin Brown

Open to scrutiny: companies in the water, telecommunications, energy and rail sectors could be investigated by the OFT and their sectoral regulator — Colin Beere

UTILITIES

Study in shared responsibility

Regulators have reached broad agreement with the OFT on how they will exercise their powers

One of the most controversial aspects of the Competition Act is the government's decision to give the Office of Fair Trading and the utilities regulators concurrent powers to enforce the anti-competitive provisions of the legislation.

Although the OFT is expected to act as a clearing house for decisions, there are no provisions in the act to prevent more than one regulator from dealing with the same case at the same time. In theory, companies in the telecommunications, energy, water and rail sectors could be investigated by both the OFT and their sectoral regulator.

The regulators and their officials have been meeting for a year, under the chairmanship of the OFT, to try to ensure a consistent approach, and a broad agreement has been reached under which the utility regulators will deal with most cases in their sectors other than those involving cartels.

But officials agree that there are potential problems in ensuring that regulators do not hand down conflicting advice or decisions on similar cases, and in dealing with cross-utility cases. No one yet knows, for example, what would happen in a case involving electricity or telecommunications cables being laid alongside railway tracks, or who will deal with future cases involving multi-utilities selling, for example, gas, electricity and telephone services.

OFT officials admit that there was "some turf fighting" between regulators when the terms of the bill were first discussed, but insist that liaison is now running smoothly. There has been little public comment on the concurrent powers provisions of the act, perhaps because utilities are afraid of provoking their sectoral regulators.

However, there were extensive discussions between companies and the trade and industry department while the bill was passing through parliament. British Telecommunications was particularly critical.

Ministers did agree to make some changes. The bill was amended, for example, to make clear that the requirement under the licensing regimes for sectoral regulators to have regard to the interests of consumers does not apply when they are using their Competition Act powers.

The changes do seem to have mollified the critics. Alan Whitfield, BT's company secretary, says the company is "a lot happier than we were when the bill was first introduced into parliament".

However, ministers were largely unimpressed by companies' broader objections, which they regarded as special pleading. They decided to press ahead with the broad thrust of concurrent powers because they thought regulators' specialist knowledge should be mobilised. The OFT could not be excluded from the regulated sectors because that would have put a substantial chunk of British business off limits to the main competition watchdog.

"Most of the concerns expressed by companies were really a matter of vested interest," says one legislator involved in the passage of the bill. "Some of them don't like their regulators and they didn't want them to have new powers." Ministers also decided to ignore claims that concurrency would lead to inconsistent decision-making.

"This is a red herring," says the legislator. "The OFT and the regulators all have to interpret the law in the light of European Union jurisprudence, and you should get the same answer from all of them."

Margaret Bloom, head of the OFT's competition policy division, points out that if bizarre judgments do occur, consistency can be restored on appeal to the Competition Commission tribunal. There is also scope for appeals through the courts. "I think some of the companies concerned about concurrent powers thought the sector regulators would be tougher than we would be," says Mrs Bloom.

"But it is very clear that we and the regulators are going to work very hard to make sure that concurrence works. The signs so far are that everybody is going to be practical and sensible, and not fight over cases. All of us are aware that this is a challenge, and that we have to make it work."

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EMU AND INDUSTRIAL RELATIONS by Robert Taylor

Search for a single strategy

The unions are hoping to use works councils to develop a Europe-wide sector bargaining structure

The arrival of the euro and monetary union has started, *perhaps belatedly, stimulating* increased activity among trade unions on how to co-ordinate a common strategy designed in the longer term to Europeanise industrial relations.

Many unions are concerned that under the conditions of Emu, pay and collective bargaining arrangements will be threatened as companies, exposed to greater competition and under pressure to reduce costs, seek widespread wage cuts.

They fear employer associations across Europe will seize the opportunities provided by monetary union to encourage a fragmentation in existing pay systems and the undermining of agreements designed to promote greater wage convergence.

Worries also exist about the likelihood of so-called social dumping, of decisions by companies to move their business operations from one part of the EU to another in the search for low labour cost areas.

The fact that the euro will replace 11 national currencies is bound to stimulate much more transparent trans-border and cross-sector wage comparison by employers and unions and this is likely to encourage moves at different bargaining levels to co-ordinate their negotiations.

Of course, there remains an enormous gulf between the rhetoric and the realities. Monetary and financial integration is far more advanced than any moves to trans-national collective bargaining.

Moreover, enormous differences will continue to exist in cost of living, productivity performance, profitability and the level of social welfare benefits. This will encourage a persistently *wide variation in wage rates* even within the same company among their employees in plants in different EU countries.

But employers are aware that some tentative moves are being made inside the European union federations to establish a common bargaining strategy for the euro-zone.

This September, for example, trade unions from Germany, the Netherlands, Belgium and Luxembourg met in the Dutch town of Doorn and produced a joint declaration outlining the contours of such an approach.

Cross-border discussions also have been going on between the metalworking unions in those countries as well. In Belgium and Sweden, national wage agreements are attempting to ensure pay rises are going to be sensitive to competitive pressures from within the euro-zone.

But it looks likely to be at EU level that most progress can be expected in organising an agreed response. Here, European-wide trade union associations are in the process of trying to hammer one out.

The European Trade Union Confederation, the body which claims to represent 53m workers across Europe in 61 national union centres in 28 countries, wants to establish a co-ordinated *collective* bargaining strategy that would seek to "counter the danger of wage dumping within the monetary union".

The ETUC favours laying down a number of minimum core demands that could be used as a guide by bargainers across the EU in their future negotiations with companies and employer associations.

The main aim would be to try to ensure wage increases are enough to protect existing living standards in line with present purchasing power, with an additional amount of money agreed as a reward for measurable improved productivity.

The ETUC also wants affiliated unions to commit themselves to the creation of what it calls a "European solidaristic pay policy", designed to lessen growing income inequality through a reduction of existing wage disparities and implementation of the principle of equal treatment for male and female workers.

Grandiloquent statements in Brussels, however, are not going to be enough by themselves to make any significant impact on the evolution of wage bargaining in companies and regions in the EU.

The ETUC accepts this, which is why it is pressing for the development of sector-level union strategies. The European Metalworkers Federation, for example, meets in Frankfurt next month to decide on such an approach.

The plan would be to mobilise engineering unions across the EU behind an agreed programme based on a minimum framework of objectives on pay and benefit improvements for implementation in plants and companies.

Similar efforts can also be expected from many of the other main European industry-based union federations in the coming months. A particular concern will be to synchronise the timing of wage agreements and bargaining rounds.

In addition, the ETUC wants to see greater transparency, with the provision of more detailed and comparable data that can be circulated between national unions in the effort to establish agreed and common bargaining strategies.

Union leaders such as Emilio Gabaglio, ETUC general secretary, and Reinhard Kullman, deputy general secretary of the EMF, are keen to emphasise that the success of the first tentative steps to the Europeanisation of industrial relations will depend on how far the industry-based union federations can forge links with the newly emerging European works councils.

So far, about 500 large companies inside the EU have established those information and consultation bodies in line with the European Union directive. By the end of next year, more than 1,300 enterprises are supposed to have such workplace organisations in their establishments.

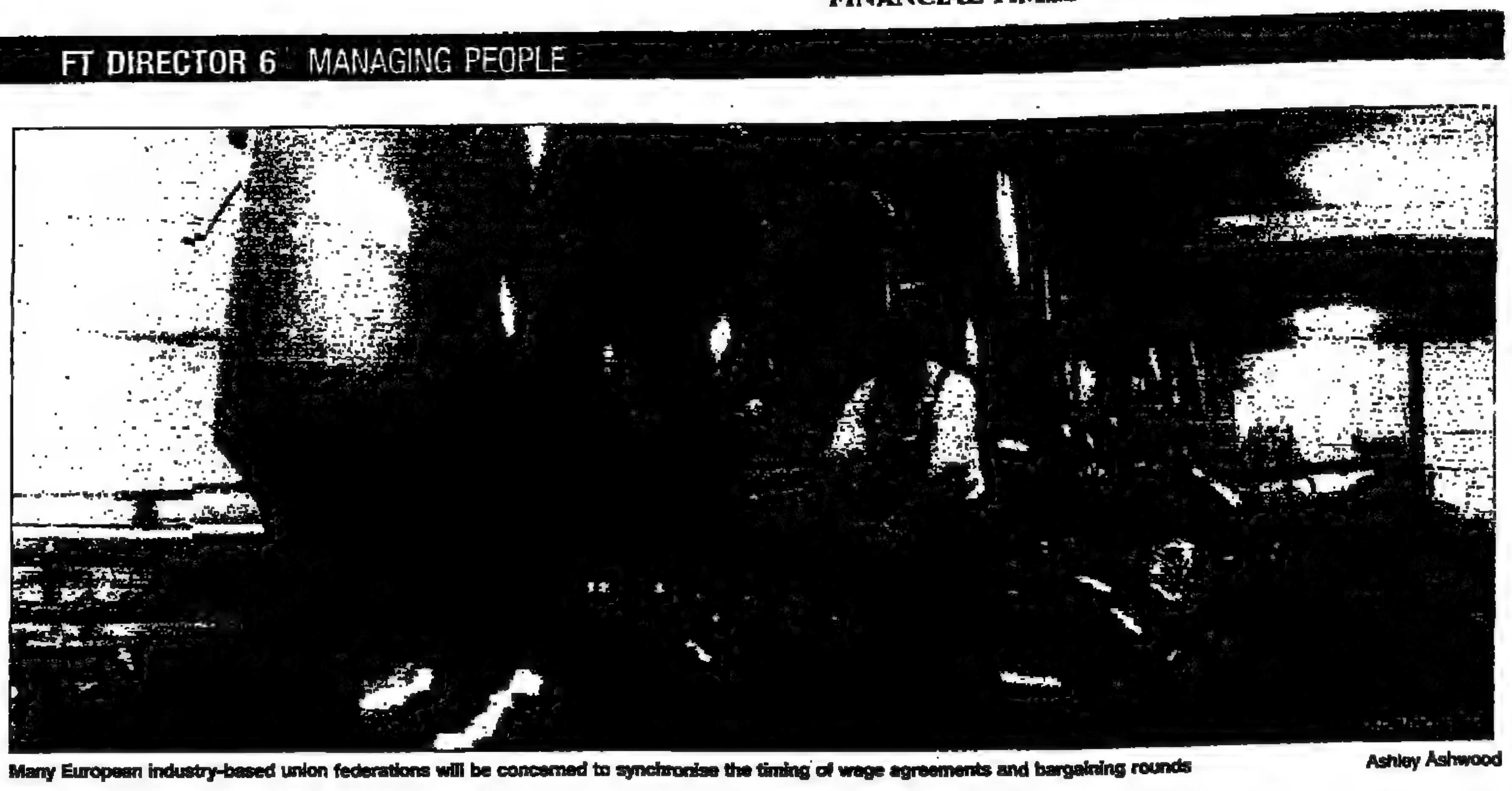
Initially, those European works councils were regarded by many sceptics as modest, fragile bodies, with little scope for development. Now, many European trade unions see them as the crucial institutional means for an extension in their power and influence over collective bargaining across national frontiers.

In areas such as occupational health and safety, equal treatment and increased opportunities for women, training and environmental protection in the workplace, the ETUC envisages those existing works councils negotiating agreements with companies that will stimulate the creation of sector-based bargaining structures.

Companies and employer associations are already preparing to resist any such development. But they have been warned.

The first steps are being taken by the unions towards co-ordination to face the euro currency challenge to collective bargaining. This issue is no longer one for academics and slogan-makers.

It is rapidly becoming a crucial issue in emerging European industrial politics.



Many European industry-based union federations will be concerned to synchronise the timing of wage agreements and bargaining rounds — Ashley Ashwood

PRESSURES by Richard Donkin

The top job no longer as safe as it was

Chief executives find themselves increasingly having to justify their performance

All managers are familiar with the problem. What should they do when one of their team does not come up to scratch? The situation is magnified when it's the chief executive who is *falling* down on the job. Boardroom disputes have more often been characterised as personality clashes or differences of opinion over strategy than issues of success or failure. But the picture is changing. The top job is no longer as safe as it was.

Today, the big stick is held by institutional shareholders whose demands on executives to deliver outstanding performance is leading to increasing scrutiny of contributions at board level. Pressure to perform has shortened the corporate lifespan of a chief executive. Reports in the US quote six years compared to 10 in the 1960s. New research by the London Business School finds that, in Europe, tenure is about nine years where once it would have been a lifetime.

A factor at work here is that executives move jobs more often than they once did. But, with chief executives more vulnerable to dismissal, not all moves are voluntary. Once, chief executives wielded such power that mistakes went unchallenged. Now, investors demand greater performance and are more prepared to act if it is not delivered.

Professor Amin Rajan, who heads the Centre for Research in Employment and Technology in Europe (Create), says that the tenures of UK chief executives in the quoted sector have dropped significantly since 1986, mirroring those in the US. "It used to be 10 years, give or take two or three years. Now it is five years, give or take two years. That's quite a worrying prospect for anyone in the top job. It forces them to take a short-term view. The institutional investors have brought this about. They want to see returns, and quickly," he says.

Prof Amin believes that changes in institutional behaviour are needed to alleviate such pressures. The creation of ethical investment funds in response to greater choice over pension investments, he says, will help to counter the trend in the long term.

Today, however, pension funds are switching investments more frequently than before. "If pension fund trustees don't see something coming through in three years, they move on," he says.

The presence of institutional investors such as Calpers on US advisory boards is growing and the trend could grow in the UK. In response to demands for greater corporate governance, UK companies have increased their recruitment of non-executive directors, suggesting they are moving slowly in the direction of US-style arrangements.

The ratio of non-executive directors to executives on UK boards has shifted from 60/40 in favour of executives a decade ago, to a majority of non-executives today, says John Viney, managing partner of Heidrick & Struggles, the headhunting firm.

This might suggest boards have become far more business-like, but he points out that the British tendency towards "clubiness" still influences executive and non-executive relationships. The involvement of a chief executive, for example, in the appointment of a non-executive chairman can make it difficult for the chairman to make objective judgments.

Mr Viney says that too cosy a relationship between non-executives and executives can lead to inaction where urgent remedies may be necessary. He was asked to help one company which had delivered eight warnings to the chief executive but had done nothing to secure a successor. "While this was happening, the company was going south," he says.

"The succession is something that boards are finding increasingly difficult to deal with," says Mr Viney, who would like to see companies establishing succession planning committees to ensure a smooth transition of chief executives.

'In terms of tenure, there appear to be parallels to be drawn between the job prospects of senior executives and those of other employees'

"Some might argue that the nomination or remuneration committees can perform the same task but succession needs to be treated as a separate issue," he says. His comments highlight the tensions facing boards. On the one hand, directors are concerned to preserve close working relationships; on the other, they know shareholders are less forgiving of mediocre performance.

There are problems on both sides. The expectations of shareholders may often exceed the ability of a company to deliver the desired returns. Institutional investors might be advised in some cases to revise their expectations in favour of taking a longer view. It is debatable, however, whether the long view still exists.

Sir Adrian Cadbury, author of the Cadbury report on corporate governance, believes expectations would *be much better served if* boards spelt out clearly what they require of an incoming chief executive. "This clarity of purpose and clarity of aims agreed with the chief executive and communicated to investors is central to the issue," he says. "The essential thing is that the board has confidence in the chief executive. That comes down to the role of the chairman which has been underestimated in the past."

Sir Adrian believes that tenures of nine or 10 years are "about right" and preferable to terms of 20 to 30 years which were not uncommon at one time.

In that sense, there appear to be parallels to be drawn between the job prospects of the most senior executives and those of other employees. The experience of Al Dunlap, who was sacked earlier this year as head of the Sunbeam Corporation, has shown that the most formidable of executives cannot expect to survive if they under-perform. But such experiences have also underlined the need for boards to manage their expectations of chief executive performance to a greater degree. When the time comes for a parting of the ways they can no longer afford to shrink away from their responsibilities.

PERKS by Richard Donkin

Era of the understatement

Egalitarianism is taking root but it cannot mask the sources of power

It used to be so easy for those who had made their pile. They could stretch back in the leather upholstery with a fat cigar and put their feet up on a vast expanse of desk, safe in the knowledge that the chauffeur would be on hand to take them home in the Rolls-Royce.

That was in the days when the boss was the boss and his position at the top of the hierarchy was underlined by the trappings of the post.

You can still find these people, but in the publicly owned multinational they are less obvious. The chauffeur will belong to a company pool, the car will be a Mercedes, BMW or Daimler.

Corporate ostentation is out. Just as top executives are regaining the sort of differentials they used to enjoy, with big pay cheques, bonuses and share options, the idea of flouting their wealth has become vulgar. It is the dilemma of the 1990s executive.

Warren Buffett admitted as much when his investment company, Berkshire Hathaway, acquired its first corporate jet, which he named "Indefensible" – although today he calls his private jet "Indispensable".

More recently, Nathan Myhrvold, chief technical officer at Microsoft, had to live with pangs of guilt when he took delivery of a Gulfstream jet. In an anonymous article in Vanity Fair magazine, he wrote of the "inner demons" which gnawed at him before making the purchase. The guilt didn't seem to last too long. He was soon referring effusively to the "satin chrome finish on the cabinet latches".

But then, Microsoft executives had never quite taken to the cube phenomenon that emerged in Silicon Valley and swept new US technology industries.

The cube, a small space bounded by partitions, has become the symbol of the west coast egalitarian executive – the corporate equivalent to a monastic cell.

Nowhere is it more evident than at Intel, where Andrew Grove, the chairman, sits hunched in his small cubicle. The cubist trend may have been established by Robert Noyce, the co-founder of Intel, whose simple mid-western upbringing decried ostentation.

But the single status management movement was probably founded at Hewlett-Packard, where no executive is encouraged to stand out from the rest. Lew Platt, chairman, has an open office with no door and a glass wall making it more of a designated space than an office.

In the UK, the symbolism of such collegiality has been explored by companies such as Asda and First Direct. Alan Leighton, chief executive of Asda, and Archie Norman, the chairman, hold meetings standing up.

It is as if companies have discovered the joys of Marxism where boss and worker are theoretically indistinguishable. But, just as in the communist system, the new egalitarianism cannot mask where the power lies. Carol Galley, head of Mercury Asset Management, may sit in the trading room with her colleagues, but there is no doubting who is in charge.

However, the traditional symbolism of power is disappearing. Roger Down, a consultant at Watson Wyatt, pay and benefits specialists, says use of chauffeur-driven status cars by the bosses of large UK companies is declining. A survey in 1993 showed about a quarter of chief executives and board directors in large UK companies had chauffeur-driven cars. Today, this has dwindled to about 6 per cent.

A trend towards greater flexibility in benefits packages – car or cash equivalent is one example – is helping to drive some of these changes, says Mr Down. But he points to other influences.

"There is a consciousness about status at all levels plus a requirement to be seen to be cost saving," he says. "Many people these days, would rather drive their own car than have a limousine and a chauffeur."

There were always directors who sought out public transport. The late Lord Pilkington, for example, used to take the train from St Helens to Euston and cycle to the Bank of England, where he was a director.

But the new egalitarianism transcends what might have been dismissed as eccentricity in another age.

Part of the trend emerged from austerity in the recession years of the early 1990s. Another influence has been tax regimes which have become increasingly focused on anything which might be regarded as a perk.

But social changes have also made inroads into status travel. John Bond, chairman of HSBC Holdings, the banking group, drives a small car and travels second class, a policy which has helped to transform attitudes in the company.

It is difficult to predict where the trend might end. Will the fashion for understated power prevail? Are we all cubists now?

ACCOUNTING STANDARDS by Jim Kelly

A potential black hole has been plugged

Directors are being asked to reveal what financial risks the company faces in an audited narrative in the accounts

Try sitting down and thinking of all the financial risks threatening your business. Few directors attempt this despite the fact it is arguably why they are there. But come the new year there will be no escaping such responsibilities, thanks to the Accounting Standards Board.

The discussion of risk is the inevitable consequence of managing financial instruments – from loans, bonds, swaps, futures, forward contracts and options through to exotic derivatives and hedging instruments. Most large companies now need these tools.

Statistics on companies' use of derivatives are often fanciful, but industry figures put the value of privately negotiated derivatives at $29bn at the end of 1997, up 14 per cent on a year earlier.

The actual risks faced by companies dealing in such huge figures are, of course, much smaller than these figures, if properly managed.

Most financial instruments carry relatively little risk; indeed, they are used to reduce risk. But recent corporate history is marked by the failure of businesses that did not manage them well or fell victim to using them speculatively.

The ASB, the UK's reporting regulator, knows that the use by companies of financial instruments represents a potential black hole in the balance sheet because financial reporting catches assets and liabilities at historic cost.

But a derivative contract, agreed over the phone, to enter into a transaction at a time in the future if certain market conditions prevail has no initial cost. It essentially by-passes the accounting system and so adds another dangerous attraction to derivatives for fraudsters or rogue speculators.

The ASB has long had a programme designed first to require the disclosure of financial instruments in the accounts of companies at fair value and then, in a separate and later step, to require those values to be aggregated as gains and losses which can eventually affect profitability.

'Directors are being asked to outline what risks the company faces in an audited narrative in the annual accounts'

Next year, the first part of their plan is fulfilled. Financial Reporting Standard 13* requires the disclosure of financial instruments. What is more, it requires that they are disclosed at market or current value rather than historic cost. Gains and losses on instruments used as hedges, a device for managing risk, will also have to be shown as the contracts unwind.

Initially, the ASB took a prescriptive and mathematical approach to disclosing financial instruments, but later tempered its approach to reduce technical disclosure and replace it with an attempt at risk analysis.

Directors are being asked to outline what risks the company faces in an audited narrative in the annual accounts. Most companies will probably decide to put this narrative in the operating and financial review, an innovative vehicle introduced some time ago by the ASB and now popular with many companies as a way of discussing strategy openly with shareholders.

The idea is that directors should begin to quantify risk and search for the best ways of communicating their policy on how to manage it.

The most popular new tool available is the concept of "value at risk", or VAR, which allows companies to assess the direct impact on profits of given movements in underlying variables such as interest or exchange rates. VAR uses mathematical modelling to forecast what movements in the real economy would do to the financial instruments held by the company.

Some large companies have anticipated the new rules. Cadbury Schweppes, the confectionery company, has jumped the gun, and its 1997-98 accounts explain its risk management in both the operating and financial review and in a cross-referenced narrative note alongside specific data disclosures on financial instruments.

The explanation in the notes includes an estimate of VAR, an indication for investors of the potential disruption to assets and liabilities if the external economic environment changes.

Assuming no changes to the borrowings or hedges, it is estimated that a rise of one percentage point in interest rates in all currencies in which the group has borrowings would have affected 1997 profit before tax by less than 1 per cent.

Risk strategy is clearly laid out. Transactions which create foreign currency flows are hedged with either forward contracts or currency options. The term of the currency derivatives is rarely more than one year.

The group has widespread overseas operations but does not hedge profit translation exposures as such hedges can only have a temporary effect. The company also anticipates the new standard by publishing figures on interest rate and currency borrowings and a currency analysis of net borrowings. It also gives the current values of financial instruments at market value where available and by using discounted cash flows at prevailing interest and exchange rates where it is not.

For many companies this kind of analysis could be of immense value in helping directors discuss objectively the risks in the business and how they are managed.

VAR is a tool which could be used much more widely than just evaluating financial instruments. It could provide the framework for all financial risks to be compared, and, in the long term, could provide a basis for measuring non-financial risks such as product failure or environmental pollution.

Oddly, this first step in the ASB's campaign to pin down financial instruments in financial reporting may turn out to be the most important.

The general discussion of financial risk may be far more relevant to assessing business threats than an annual "snapshot" of the individual values of financial instruments, which can change spectacularly in seconds and can be out of date moments after the auditor has signed off the accounts.

If the new rules focus and formalise discussion of risk in the boardroom they can only be seen as improving the quality of decision-making by directors.

**FRS 13 is available, price £11, from ASB Publications on 01908 230344.*

CORPORATE SELF-ASSESSMENT by Jim Kelly

New upheaval on the way

Closer integration of the tax department into a company's daily operation is called for

Few finance directors would be surprised to find themselves having to discuss a company's tax planning over the boardroom table. But tax compliance is one of those backroom activities usually left well off the main board agenda.

That looks certain to change with the introduction of CTSA (Corporate Tax Self Assessment), which takes effect for companies with accounting periods ending on or after July 1 next year. So some companies are already in the new system.

Many directors will have just got over the trauma of personal tax self-assessment. CTSA is arguably a bigger cultural upheaval of the corporation tax system.

Not only does it throw up a whole range of management issues within large companies, which have to take part in a special form of the new system involving quarterly payments, but it elevates tax compliance as an issue and demands the closer integration of the tax department into the daily operation of the company.

"The key point is that tax compliance needs to be moved further up the corporate agenda than previously has been the case," says Richard Hall, of KPMG.

"Far greater emphasis, for example, has traditionally been placed in the past on tax planning as a way of reducing a company's aggregate tax burden," he says.

John Whiting, of the new accounting giant, PwC, says: "The tax function has to come out of the closet and into the general management of the company far more. After all, they are going to be advising on payments regularly."

First, the board must consider the cash flow implications of CTSA if it has opted for the new quarterly payment system. In simple terms an extra year's tax has to be paid in the next four years – although this is just an acceleration of payments for the Treasury's benefit and not an extra hit to the profit and loss account in the longer term.

Next, companies will have to work out how they will predict financial data for the whole year at the half-year so the current year instalment system can begin.

This means they will have to be able to predict profits, taxable profits, capital allowances, double tax relief and group tax issues.

"Clearly, this places a significant extra burden on the tax department, which will need to be brought into the planning and forecasting more fully," says Mr Whiting.

Large companies will have to look at the relative costs and benefits of keeping tax compliance devolved to subsidiaries or centralised.

Will subsidiaries be able to cope with the new regime? Conversely, will a central tax compliance function be able to rely on information flows from subsidiaries?

'Deciding if you actually have a controlled foreign company can be hard enough, let alone calculating the resulting tax liability'

The whole board will need to be aware of the way in which CTSA is managed because the system has penalties and interest is levied on underpaid and overpaid tax.

While most penalties look relatively modest, it should be remembered that there are tax-geared penalties – for example, 10 per cent of unpaid tax where a return is delivered 18 months after the end of the accounting period, rising to 20 per cent after two years.

Such penalties pale compared to the new powers being given to the Inland Revenue. These effectively allow it to investigate company tax affairs in two new ways: first, it can begin inquiries before the tax year is ended and, second, it does not need a specific reason to start an inquiry at all.

Because CTSA, like personal tax self-assessment, shifts the burden of getting tax details correct on to the taxpayer, the real danger for companies is that they will be challenged about decisions they have made on complex corporate tax issues such as transfer pricing or controlled foreign companies.

"Companies now have to self-assess on the basis of arm's length transfer pricing for intra-group transactions," says Mr Hall. "But, if the revenue is not convinced, there could be interest and, unlike in the past, penalties to pay.

"Deciding if you actually have a controlled foreign company can be hard enough, let alone calculating the resulting tax liability," he says.

The revenue will want documentary evidence to back up a company's declaration of why it assessed its tax liability in the way it did. Documents must be preserved for at least six years after the end of the accounting period or, if an inquiry is opened, for as long as the revenue is empowered to investigate the tax return.

This raises issues of document capture and storage which must be considered at board level. Imagine a retailer trying to predict full-year taxable profits at the half-year stage when the majority of its trading comes over the Christmas period. It might be called upon to explain its forecast, or more probably, why it underestimated its taxable profit.

Or imagine the security implications of taking a decision at the half-year stage to factor in to tax calculations the impact of a forthcoming acquisition.

While the revenue does not have the power to enter premises freely in the absence of a search warrant in relation to corporation tax it will be virtually impossible to prevent it where it asks for data which can be collected and assessed in no other way.

"However innocent their purpose, it is bad for staff morale and unsettles your customers. But it is likely to become a more commonplace occurence," says Mr Hall.

All of this should remind directors that CTSA has its roots in the "Spend to Save" initiative of former chancellor, Kenneth Clarke, designed to maximise tax receipts by cracking down on avoidance, evasion and tightening up on compliance.

The Inland Revenue now has 15 large-business offices designed to concentrate expertise on various industry sectors. About 3,000 companies can expect to be dealing with them in the future.

"The revenue is adopting a much more investigative approach," says Mr Hall. "This is underpinned by the CTSA regime, which gives them the right to inquire into a return without providing a reason."

What should companies do now to prepare for the new system? "It all adds up to a need to take tax more seriously," says Mr Whiting. "Corporate tax isn't something that can be left to a backroom department and an exercise eight to nine months after the year end."

Mr Hall adds: "You might aim to match the growing business knowledge of inspectors by sharing information with other companies in your industry. This will provide you with the means to defend your self-assessment by reference to industry norms."

Looking ahead, it is a good time to think of knitting the tax function more closely to the operating function, taking care to guard the confidentiality of commercially sensitive information.

But generally, if it has not yet begun, the debate on CTSA should be close to the top of the main board agenda.

COMMUNICATIONS by Jane Martinson

In need of an update

Companies are under pressure to improve information they provide for shareholders

"There is a consensus developing among all who have looked at the issues that accountability and transparency are indivisible from long-term prosperity."

When Margaret Beckett, the then trade and industry secretary, launched the most wide-ranging review of company law in the UK for more than 30 years, she highlighted the need for better communications and the growing realisation that something must be done to improve the information offered by companies.

The review, launched in March, made it clear that the government believes the way companies communicate with their shareholders should be a central weapon in the fight to improve competitiveness in the UK.

In an article published in the Financial Times on the same day as the review was launched, Mrs Beckett explicitly backed efforts to improve the competitiveness of companies by addressing the accountability of boards to their shareholders.

The review is set to raise some fundamentally important questions about British business behaviour. If the standard annual report based on historical cost accounting is failing to satisfy the needs of shareholders and the wider business community, what else should be provided? And how can a system based on Victorian values and rules be updated to encompass all shareholders? What is the value of the annual meeting and how can it be improved? And how can companies make best use of new forms of communications such as the internet?

The review is unlikely to come to any form of conclusion for some time – a white paper outlining any proposals is not expected until 2001. Meanwhile, there has been a plethora of other groups tackling the issues involved.

Many suggested changes are based on improvements to the annual report itself. Mark Goyder, director of the Centre for Tomorrow's Company, which was set up to research such issues as communications, says: "For many people the annual report has symbolic importance in terms of communication."

In September, the Institute of Chartered Accountants joined with the centre to publish a "prototype" annual report for the year to the end of December 2000. The report aimed to address the concerns of a range of stakeholders, including customers, suppliers, employees, providers of capital, local communities and pressure groups. A relatively brief profit and loss account was accompanied by lists of actions taken and future plans.

The inclusion of stakeholders and issues considered "softer" than financial reporting has often been considered a cranky diversion or, worse, a distraction from the real aim of the company. But speakers at the conference, as much as the report itself, revealed how much such thinking has taken hold of the mainstream.

Mr Goyder says: "My sense is that there are significant changes going on at the moment." He defines the changes as a move from "the age of fringe and cringe to core and more".

Chris Fay, chairman and chief executive of Shell UK, part of the Anglo-Dutch oil giant, told the conference: "We are at the start of a long and difficult journey toward a new type of business reporting which takes full account of economic, environmental and social performance."

Shell has already started to produce a "report to society" for all its shareholders. And it is not alone. A recent survey by the Pensions Investment Research Consultants found that 79 of the top 350 companies produced a separate environment report and 40 a separate social report.

Such developments in the field of social reporting are not necessarily new but they are a significant development given the current debate.

Franceska van Dijk, at Sustainability, a consulting firm, says: "Quite a lot of companies were doing it in the 1970s, then it tailed off in the 1980s. But now it's really picking up again."

Such interest in what to report is matched by the debate about how to report. Direct communication between UK plc and shareholders is largely defined by one-on-one meetings with institutional investors and the annual general meeting where votes are meant to be cast.

Margaret Beckett: backing efforts to improve the competitiveness of companies Ashley Ashwood

Such meetings, dominated by private shareholders, enjoy a mixed reputation among companies themselves. While corporate governance activists speak of the valuable opportunity to question a board directly, some company directors have been heard to speak privately and disparagingly of the "tea-and-biscuits" nature of such gatherings.

The government had been dwelling on the effectiveness of the annual general meeting for some time before it decided to include it along with everything else in the company law review.

However, few directors or government officials have been heard publicly to back the removal of such an institution in the name of greater communication.

The debate has therefore focused on whether other forms of communication can be used to improve matters. One obvious method is the use of the internet, referred to repeatedly in the prototype plc's annual report.

Internet use is much greater in the US. Two web sites were launched earlier this year which allow individual shareholders to receive company reports and vote at annual meetings over the web.

The rationale behind such services as *www.investordelivery.com and www.proxyvote.com* is that processing information and voting over the web can be cheaper than alternative paper-based methods.

These sites have dealt with about 650,000 individual votes over the web during this proxy season and signed up 230,000 shareholders for internet delivery.

The 21st century annual report conference also included a demonstration of what interactive communication could be like in the UK.

As with so many other developments in this field, such use is definitely at the fledgling stage.

CASE STUDY
BT

It's good to communicate

A company which launched an advertising campaign called "It's Good to Talk" is a fitting case study in communicating with shareholders.

Add to this the fact that British Telecommunications, one the the UK's largest companies, has in the past year failed in a bidding war to buy MCI, the fourth largest US long distance operator, and announced a strategic alliance with ATT, the largest US operator, and the need for explanation becomes evident.

Such special demands are not lost on Andrew Wood, shareholder communications manager at the company, whose job it is to deal with the demands of BT's army of private investors.

"The traditional view of companies towards servicing the shareholder register is that it's a price that has to be paid. We are trying to be a bit different from that point of view," he says.

BT is associated with several high-profile developments such as the committee of inquiry into new business environment being carried out under the auspices of the Judge Institute of Management Studies in Cambridge and the Share Aware campaign launched by the London Stock Exchange earlier this year.

But it has adopted an evolutionary approach in its dealings with its own shareholders. The demands of the past year have highlighted the need for good communication rather than prompted any wholesale changes to the way the company conducts itself.

Although BT makes an interesting case study from the shareholder communications standpoint, it does have several idiosyncrasies not shared by all FTSE 100 companies. As a result of its privatisation in the 1980s, the group has one of the largest shareholder registers in the UK based on the number of investors. Almost 2m individuals own about 20 per cent of the company, while more than 79 per cent is held by 43,000 individual institutional investors.

As the largest provider of phone services in the UK, BT's army of shareholders are also often its customers, a distinction not shared by many companies. Mr Wood says that its policy has developed largely as a result of its experience with this unique shareholder base.

At the start, the company struggled with the fact that many ordinary people in the UK were largely ignorant of the processes of shareholder capitalism. In 1985, says Mr Wood, there was an "amazing level of non-knowledge".

One man phoned the company to say he had received his piece of paper and wanted to know where to collect his shares, while others wrote cheques out for the value of their dividends as they were so used to receiving bills from BT.

"Some of these shareholders didn't really know what they had got themselves into," says Mr Wood. "Initially, our goal was to help them move up the learning curve."

Over the next few years BT started to capitalise on links between its shareholder and customer base by offering special discounts to the former. "Research has shown that BT shareholders are more loyal as customers," says Mr Wood.

The need to keep its client base happy helped the group develop user-friendly information for its shareholders.

The group published a report for shareholders in February which gave an update for the year along with several different promotional offers. The format is a tiny little multi-coloured booklet full of pictures, diagrams and pointers to information.

BT has also developed a separate annual review and summary financial statement setting out its figures and strategy in a digestible form. Mr Wood says that small shareholders preferred the annual review to the legally required annual tome. "An 80- or 90-page document is not necessarily good communication," he says.

BT is keen to develop its use of the internet and has launched a separate shareholder information site where shareholders can read environmental and technological service reports as well as the other reports. Perhaps surprisingly, for a telephone company, it has only recently changed its local call shareholder line to a freephone number.

The group's involvement with its institutional shareholders is fairly traditional, with a rolling programme of one-to-one meetings with major investors over the year. But the drawn-out battle over MCI highlighted the need to satisfy this investor base.

BT's global ambitions are also likely to increase the number of overseas investors keen to buy its shares. John Brougham, director of investor relations, recognises the importance of good communications with all shareholders. He, like several other UK businessmen, is keen to stress the importance of the annual general meeting, for example. "The AGM is probably the one big occasion of the year when the BT board, its CEO and chairman communicate to individual shareholders."

•Having survived such a busy year, the value of such communications is unlikely to diminish in the coming 12 months.

Jane Martinson

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in all market environments

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*Euromoney, September 1998
Issued by Deutsche Bank AG, regulated by SFA for the conduct of investment business in the UK.

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CASE STUDY
SHARED SERVICES

A problem shared really can be a problem halved

There is increasing scope for companies to farm out non-central activities

If Europe's business landscape is really undergoing the biggest transformation since the Industrial Revolution then one of the inventions which is powering this revolution is the Shared Service Centre (SSC). But most finance directors may not understand the idea, let alone be able to build one for themselves.

Most useful management ideas defy easy definition and the SSC is no exception. It brings together several threads of common sense and is infinitely adaptable in application. It can range from the mundane to the revolutionary.

So what is it? The idea *came from the US and a* recent study by the Economist Intelligence Unit* offered a definition of an SSC as "a system of cutting costs by centring processes and people in one location – thus reducing head count and/or duplicate systems".

It is perhaps easier to start with the now widely understood concept of the "core competency" – the central value-added *operation which defines the* business – and then think of everything else as having the potential to be out-sourced or placed outside the central hub of the company. SSCs provide somewhere to put these secondary operations.

But there are as many types of SSC as there are management consultants ready to hype their benefits. The EIU report, led by Marcie Krempel, found that success varies – but there is no mistaking the enthusiasm to try. "A year ago it was a question of 'if' and now it is a question of 'when and how'. Those companies that do not jump on to this speeding bandwagon will lose out," says Ms Krempel.

SSCs stretch from simple centralised payroll centres, *through more sophisticated* in-company installations designed to bring together workaday functions like billing, to out-sourcing centres which can reap huge economies of scale by offering a home to several companies at the same time.

The SSC idea is powerful enough on its own to enjoy widespread support from managers – as it has done in the US. But several *factors have come together* to give SSCs a central role in transforming the business landscape. According to the EIU study these include:

- Economic and monetary union. The SSC offers a structure for rationalising mundane functions for companies with several European sites;
- The introduction of the euro. This provides a fillip to SSCs by allowing them to operate within a single currency framework while dealing, for example, with the payroll needs of several companies or parts of a multinational spread through the participating member countries of the single currency;
- Year 2000 compliance. SSCs thrive on technological advance, which has allowed multinationals to centralise within a continental framework rather than a national one. Intranets and advanced telecoms will allow many internal business functions, and many external service functions, to be brought together. The need to update computer systems because of the Y2K problem has given a new impetus to such radical restructuring;
- Companies need to become truly global – or at least continental. Multinationals are usually headquartered in one country with outlying business units which report *in and work with direction* from a geographical centre. The truly continental company operates as a single entity across borders. The truly global company would do the same – but is still a distant dream. SSCs provide an "architecture", to use the EIU's word, for the truly European company.

The EIU has also identified a series of benefits which spin off the SSC model, *including:*

- Economies of scale leading to significant savings. A survey for the EIU showed that one third of respondents had saved $1m-$3m a year, another third savings of about $10m, and a third put savings at more than $20m. ;
- Increased accuracy and quality of information;
- Ability to identify and exploit new market opportunities – especially those related to EMU and the single market.
- Shortened the time it takes to develop new products;
- Enhanced learning and knowledge management.

According to the study, those not considering an SSC initiative are behind the field. Of the companies surveyed, 27 per cent were already using SSCs, while 48 per cent had them in hand or planned and 19 per cent had decisions pending – although the report acknowledges a skew in the results as companies interested in SSCs are more likely to respond.

Should businesses rush into the SSC model? Hardly. More sensibly, all companies within Europe should start to think about operating within a single market. They should be considering single banking structures, alongside legal and tax restructuring. Success with *SSCs depends on* management commitment – at least according to the EIU survey. It found this was ranked as the key success factor by 76 per cent of respondents, well ahead even of communication with employees at 59 per cent. SSCs provide a way forward – but they must be tailored to the company's needs.

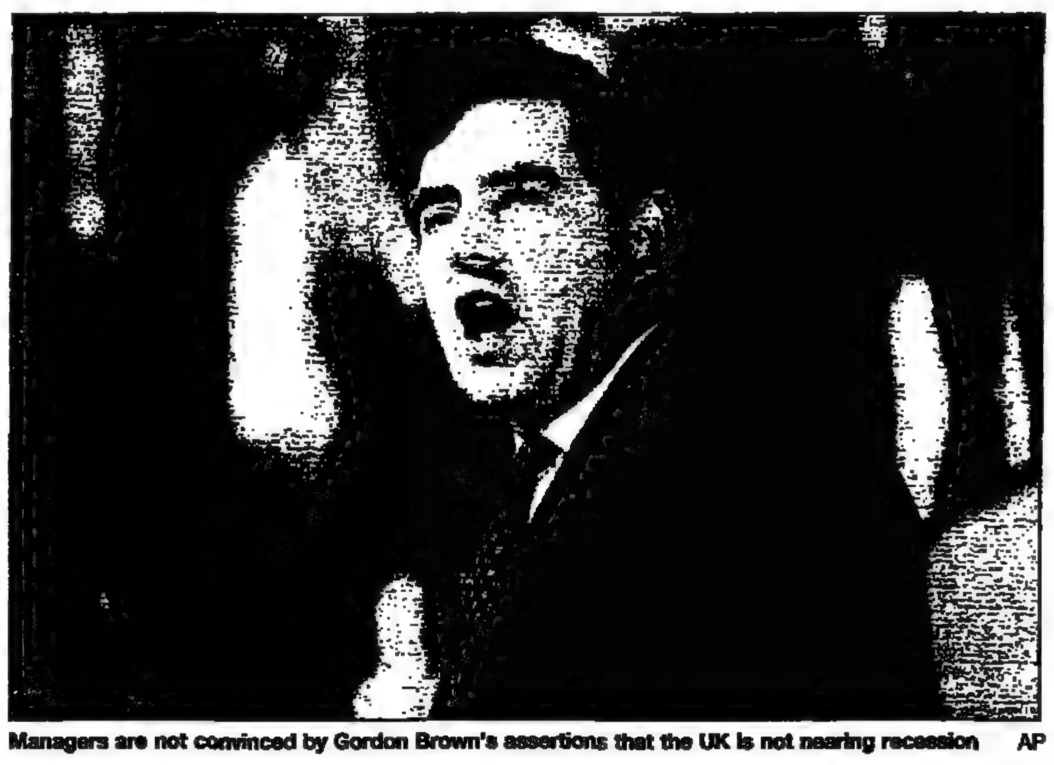
**Web site: http://www.eiu.com*

Jim Kelly

MANAGING RECESSION by Tony Jackson

Upside of a downturn

The trick is to emerge in a better position relative to the competition



Managers are not convinced by Gordon Brown's assertions that the UK is not nearing recession AP

The UK, according to the Chancellor Gordon Brown, is not heading for a recession. British managers seem less sure about that, however. And if they run international operations the question is of limited relevance anyway. Large parts of the world – in Asia, eastern Europe and South America – are in recession already.

What strategies should chief executives adopt for a downturn? For most of them the question has the force of novelty. During the last UK recession from 1990 to 92, many would have been on corporate boards but not necessarily as chief executives. By no means all would have been in the same company, or even the same industry.

This is not to imply that past recessions are an infallible guide to the future. No two recessions are alike. The various components of the economy – manufacturing and services, housebuilding and leisure – may all turn down, but in a different order and to a different extent.

The natural response to a downturn is defensive, to cut costs, postpone investment and hiring and avoid risk in general. But there are opportunities as well.

In terms of market and industry structures, recessions are periods of accelerated change. The trick is to exploit those changes, so that you emerge from the downturn in a better position relative to the competition than you went into it.

One way to do this, say Steve Tappin and Rob Anderson, of the London management consultancy PA Consulting, is to pay the closest possible attention to your markets. *In response to* recessionary pressures, all the participants in a given market will reposition themselves. Some will withdraw marginal products. New competitors may come in.

This may result in gaps opening up. As Mr Tappin puts it: "Basic positions in the market are up for grabs."

In such a period of accelerated change, it makes sense to scrutinise your markets in a more opportunistic way and prepare to change strategy at short notice.

This may not be easy. Compared with the last recession, the next is likely to be more complex in managerial terms.

Companies have typically become more international in the meantime, and many have grown through mergers. They are therefore more decentralised. This makes it harder for the chief executive to stay in touch with the company's individual markets.

The immediate reaction of most companies to a downturn is to concentrate on the things they can control – staffing, advertising and so forth. Mr Anderson says: "Every now and then these days, we meet a guy who does see the opportunity and wants to raise finance for it. They are a joy to talk to, but they are only one in 10."

As a consultant, of course, Mr Anderson is not a disinterested party. Indeed, chief executives must consider one essential point. If they are risk-averse in a downturn, so are their shareholders.

If companies announce they see a recession as an opportunity to take aggressive action, the stock market may take fright.

But perhaps there is an opportunity here too. If companies take the time to explain to investors what their strategic thinking is, their share price may respond accordingly.

There may also be opportunities in staffing. In a downturn it may be more acceptable to get rid of people who are not worth their keep. But it is also a good time to poach good people from the competition.

It may also be a good time to switch around those staff who are being retained. Some may have been underemployed before and will be more so now.

As for your key staff, this may be the time to increase their sense of security, and thus their performance, by offering them longer-term contracts.

And what about suppliers? One response to hard times is to squeeze them for better terms. But if a supplier is of long-term importance to you, might this be a good time to offer support including, for instance, taking an equity stake?

Much of this will seem counter-intuitive. It is in the nature of economic cycles that business people and their customers suffer from too much optimism in a boom and too much pessimism in a bust. Being a contrarian is all very well, but how do you know you are not being simply imprudent?

The answer, Mr Tappin argues, lies once again in the markets for your products or services. If they turn down, the natural tendency is to look inwards, to draw in your horns.

But at the same time you should scrutinise the changes which recession is causing in your business environment. Make sure you have superior intelligence, then make prudent moves accordingly.

It helps, of course, if your finances are in good order. In pragmatic terms this is largely a matter of luck. As any portfolio investor could tell you, the fact that you correctly forecast one slump in the market does not mean you will spot the next one.

If you happen to have net cash when your industry turns down, you have a competitive advantage. If not, the chances of transforming your balance sheet in short order are limited.

After all, the financial markets suffer from precisely the same cycle of undue greed and fear which characterises your own.

Overall, though, the message is clear. Recessions are times when the usual balance between risk and reward is raised to unusual intensity. The conclusion is neatly encapsulated by Mr Anderson: attack where you can, defend where you must.

Bigger seen as better for a post-Emu era

The globalisation of business has made law firms, like accountants before them, examine how best to provide international services. Here, **Robert Rice** looks at pan-European and trans-Atlantic alliances, while in the following articles of this special focus, FT writers look at the strategies being adopted by the big UK and US partnerships and the opportunities and challenges they face

What lies behind the move towards globalisation of legal services? For investment bankers the issue is straightforward: to meet the demands of global business, legal services, such as investment banking, consulting and accountancy services, require global reach and depth.

UK law firms have swallowed this message in a big way, establishing networks of offices across central and eastern Europe and Asia. But with Asia and Russia in financial turmoil, they are now turning their attentions to western Europe and to building pan-European practices in readiness for the flood of cross-border work expected to flow from economic and monetary union.

Clifford Chance and Freshfields have been building pan-European practices for more than a decade. However, Freshfields' link with the German firm, Deringer Tessin, this year marked the start of a new phase of consolidation in Europe as law firms strive to establish a seamless single-firm service for cross-border deals.

Linklaters has formed an international practice with four members of the former Alliance of European Lawyers. Allen & Overy, which recently merged with Brosio Casati in Italy, has just ended its association with the French firm, Gide Loyrette Nouel, but hopes to replace it with a link with De Pardieu Brocas Maffei. Its link with the Dutch-Belgian firm, Loeff Claeys Verbeke Buruma, continues and the firm is also eyeing a link with one of the two leading German firms, Bruckhaus or Pünder.

Clifford Chance, which has more than 500 lawyers based in continental Europe, plans to double numbers within two years – something which cannot realistically be achieved without a merger. Lovell White Durrant is looking for an association or merger in Germany and Cameron McKenna hopes to announce a Linklaters-type alliance shortly.

American firms, by contrast, appear less internationally minded. With their huge domestic markets, proximity to the ever more powerful US investment banks and dedication to the bottom line, they have continued to make money without venturing too far from home.

Most of the leading US firms confine themselves to having offices in the world's financial centres. Their general reluctance to practise local law or promote local lawyers to the partnership together with centralised management structures, which do not lend themselves to effective management of offices in far off places, means that with a few notable exceptions – White & Case, Shearman & Sterling, Cleary Gottlieb and Baker & McKenzie – they have fewer lawyers based overseas than their UK rivals.

This lack of international spread, however, does not mean they are not global in reach. Their proximity to the powerful US banks, multinationals and investors means they derive a considerable proportion of their revenues from work generated outside the US. Sullivan & Cromwell, for example, which has very few of its 400 plus lawyers based overseas, draws half its clients from outside the US.

With the US capital markets remaining central to the restructuring of European business in the euro-zone for the foreseeable future, US firms are set to give their UK rivals a run for their money in their own backyard.

The UK firms talk about the powerful US investment banks being as much European as American these days and of their close working relations with them. But their relative lack of US securities law expertise in the short-term represents a significant hole in their pan European strategies.

But, as euro capital markets rival the US capital markets, rendering the latter less important, the lack of local law capability, particularly in English law, within the leading US firms may hamper their progress in the race for global legal services.

"What people back in the US don't realise is that outside the Americas the world is pretty much all English law," says George Crozer, the Asian managing partner of White & Case.

The logical conclusion of this relative lack of expertise on either side is transatlantic mergers and it may be the establishment of the euro-zone will provide the catalyst.

Some US firms are already eyeing mergers with UK firms. White & Case makes no bones about its desire to merge with a UK firm and is believed to have held serious discussions with the UK's Norton Rose.

Just who would benefit from a dozen transatlantic law firms growing to dominate global legal services is not clear. The UK firms say clients increasingly demand a single firm service and that they like to be able to use the same firm wherever they are operating around the globe.

But is this the tail wagging the dog? How much of it is dictated by the fact that the UK domestic market is over-lawyered and UK firms have had to look overseas for earnings growth?

For many multinational corporations consolidation represents a reduction in choice and flexibility in managing their legal services. With so many of the world's markets in recession and pressure building on corporations to prune costs, consolidation of legal services may not be something they would welcome.

According to Peter Coleman, a legal services management consultant and former legal director of Grand Metropolitan Estates, in terms of managing legal risk it can make sense for corporations to buy as broad a range of services from one firm as possible because of the synergies it produces.

On the other hand, it would be an exceptional company and "an unwise legal director", which only used one law firm to handle all its business, he says.

"There's no harm in a bit of healthy competition and, in general, you get broader objectivity if you use more than one firm. Overall, the preference of most corporates is to use a smaller, more manageable, number of law firms than in the past, but certainly not to put all their eggs in one basket."

PROFILE
RUTH MARKLAND

Optimism born of happy experience

Ruth Markland: striking a positive note

Sitting in her office high above Central, Hong Kong, struggling with her own personal bout of Asian flu picked up while trekking recently in Nepal, Ruth Markland strikes one of the more positive notes sounded in Asia today.

She is, she says, positive by nature but her optimism about the region's future stems more from having witnessed at first hand Asia's ability to bounce back from adversity in the past.

This is the third tour of duty in the region for the Freshfields corporate lawyer, not ideal for someone who hates the heat and harbours dreams of retiring to Scotland to raise sheep.

She was in Asia for the 1987 stock market crash, for Tiananmen Square and for the signing of the joint declaration. Times, she says, when things looked pretty bleak.

"I've seen the rollercoaster ride of Asia and it's remarkable how resilient Hong Kong is, in particular," she says.

She also has reason to be optimistic because, despite the 180-degree turn in the economic and financial position of Asia since she returned in 1995 to take on the role of managing partner for the region, Freshfields remains remarkably busy.

Unlike other firms which complain of the frustrations of operating in China, the British international law firm has several new infrastructure projects on the go. It is also busy negotiating debt and project restructuring as well as mergers and acquisitions in Thailand and South Korea.

The firm has doubled lawyer numbers in its seven Asian offices to 160 in the past three years and Ms Markland expects them to double again over the next three, although she concedes there is unlikely to be much growth for 12 months.

When the firm asked her to return to Asia and head the Hong Kong office her initial reaction was to refuse. "I thought Asia was a closed chapter of my life.

"I'd been in Hong Kong and Singapore and I didn't want to travel half way around the world again to do that. So I said: 'No, and anyway what you need is a managing partner for the region.' So they said: 'OK, go and do that.' "

In spotting the need to co-ordinate the firm's operations across the region, she was ahead of the field. Now all the international firms talk of having "regionalised" their practices and of the need for flexibility in staffing transactions.

One of the advantages of taking a regional overview is that it is easier to match demand to capacity and Ms Markland admits to spending a lot of her time just ironing out the peaks and troughs in capacity and demand. But that is not the only benefit.

"Developing practice lines on a regional basis is much more important," she says. "The typical make up of an international law firm is that you have each office working away reinventing the wheel, developing client relationships for the greater good of that office without thinking whether any cross-selling can be done.

"If you raise your sights and look more broadly, a bit of market intelligence here may provide a lead in Singapore. You may find you have common contacts and can avoid duplication of effort and the work product itself will benefit.

"My theory is that there are no unique problems in the law. If you can find out who has faced them before you can save huge amounts of time and effort. It sounds mundane but the value is quite great."

Accepting the job meant acquiring new management skills, a challenge that she relished as she admits to getting bored easily and to liking change.

"I've been rather lucky throughout my career. I've been in Hong Kong, Singapore and London, and that's kept my interest going.

"But in your forties it starts to dawn on you that you can't be Mozart or Bjorn Borg, so it has been a great challenge to be given the opportunity to do something other than the pure practice of law."

She even feels "lucky" to have been in Asia when the financial crisis hit. "If ever I needed more job stimulus, I've been handed the right circumstances in which to do it," she says.

And, if she tires of the challenge of managing the firm's Asian offices through the economic and financial crisis, she always has the upturn to look forward to.

Robert Rice

THE US by William Lewis in New York

Exporting the American way

International deals based on US law are providing the means for firms to extend their global reach

Torch bearers: US firms rely on expertise rather than mergers to secure international growth AP

The march of leading UK law firms into markets around the world – largely through link ups with local firms – has helped take them into the top tier of global law firms by size. However, their US competitors appear far from worried.

A survey published recently by the American Lawyer showed that Skadden, Arps, Slate, Meagher & Flom, is now the only New York-based firm in the table of the 10 firms with the most number of lawyers. It found that UK firms comprise six of the top 10 and hold four places in the table of the 10 highest grossing firms around the world.

The strategy of most of the largest UK firms is to be able to offer clients both local and international legal services. This contrasts with the approach of most large New York-based law firms, which tend to focus on high end cross border work, eschewing the need for building up local practices.

Yet, despite the recent turbulence in international equity and bond markets – which has hit cross-border activity – and the launch of the single European currency next year, US firms do not appear to be planning a change in strategy.

"There is a clear split between the thinking of large English-based firms and most of the large US-based firms," says Robert Sheehan, executive partner of Skadden, Arps. "A number of English firms are going into markets intending to operate as primary operators, providing a full range of local law and international services. US firms have taken to focusing more on international business," he says.

"The different approach has implications for whether or not you would choose a merger as a way of entering a foreign market or rather focus on the larger transactions which have cross border implications."

Mr Sheehan's firm typifies the US approach. "In entering foreign markets we have never attempted to be a leading provider of general legal services. Rather we aim to involve ourselves in a small percentage of the most significant legal business."

Mr Sheehan expects international business to increase. In the short-term, this growth is likely to come mostly from Europe but, in the long-term, Asia is likely to be an important market.

"There is a need, over the long run, to build infrastructure around the world so you can service the clients with international needs. That will not always require providing local law expertise in foreign jurisdictions," argues Mr Sheehan.

Stephen Volk, the senior partner of Shearman & Sterling suggests that there is a distinction to be drawn between the strategies of UK and US firms but that "the position is not black and white".

"Our strategy is different from most of our US competitors. We have 130-140 lawyers in Europe, probably 175 by the year end, and more than half are local," he says.

"In London, Paris, Frankfurt and Dusseldorf we do local work. In order to have a global practice, we need to be strong in the US and US law on cross-border transactions and other key jurisdictions where a significant volume of high end transactions is likely.

"In London right now, most of what we go after on the UK law side are infrastructure projects, which are normally cross-border deals, and acquisition finance, which may or may not be cross border.

"We are trying to attack areas where we can add strength to the services by adapting our US experience, with its greater variety of products, to the cross-border scene," says Mr Volk.

Nevertheless, senior US lawyers do see a large UK-US law firm merger happening. Mr Volk says: "I think a merger between a US and UK firm will eventually happen but it is not our strategy to look to merge with a UK firm. We don't think that makes sense for us."

Thomas Cole, chairman of the executive committee at Sidley & Austin, headquartered in Chicago, says: "It may be that the current turmoil has caused people to be more cautious. I think the initiative is coming from the UK firms. There is only so much they can do in their home country. I would be very surprised if, in the next five years, there was not a large transatlantic merger."

Other changes are likely. As firms become increasingly global in their outlook, management structures are going to have to change. For example, Mr Cole says he will "regard it as a measure of success when we disband" the firm's international operations committee.

John Klotsche, chairman of the executive committee of Baker & McKenzie – the world's largest law firm by number of lawyers – says the firm may expand into related professional services.

"We will never become the size of Arthur Andersen but there are some synergies with quasi-legal and non-legal services we are looking at. They will provide a distinctive element for us," he says.

Baker & McKenzie is seen by most in the profession as out on its own in terms of globalisation. While headquartered in Chicago, 80 per cent of its 2,300 lawyers operate outside the US and it has offices in 35 countries. "The market turbulence over the summer certainly caused us to do some reshuffling and redeployment of resources in Asia. But with other areas of business taking off in that area, it has not impacted on our bottom line significantly," Mr Klotsche says.

Strategically, the firm also appears to be different. "Our growth around the world has largely been organic," he says. "We have launched offices around the world with several partners who are fully qualified locally. That is how we distinguish ourselves. Don't forget that the cross border work often has local implications."

RUSSIA by Richard Marsland

Crisis will sift wheat from chaff

A test for the less committed, an opportunity for the rest

In the year to August 1998, Moscow was boom town for international corporate law firms. Capital markets issues and bank lending were buoyant, growing volumes of mergers and acquisitions work was coming through the pipeline and fast-moving consumer goods companies were pumping products into a marketplace renowned for its hunger for western brands.

Among law firms aggressive lateral hiring was pushing salaries steadily higher, especially for experienced Russian associate lawyers, and western partners could charge top-end London or New York fee rates for premium work.

Then the crisis struck and the legal landscape was transformed. "It has been, and will be, a profound change," says the managing partner of one of Moscow's larger foreign law offices. "I honestly don't know what kinds of work we will be doing in six months' time. We will re-profile our practice if necessary but the devastation has been so severe that things will take a long time to recover."

The result has been an uneasy calm in the legal community as firms sit tight and wait for the political and financial end-game to be played out. Most firms point to the near-impossibility of any meaningful forward planning and the slump in key areas of work is likely to see many firms pack up and leave, especially as Moscow remains one of the costliest cities in the world in which to run an office.

The most likely leavers are the small and medium-sized US firms, some of which came in on the back of one or two big clients and do not even have a fully resident partner.

While most law firms have frozen their recruitment plans, many of the larger practices admit that they are seeking office mergers or one-off hirings as existing rivals pull out.

"We will be looking for some strategic acquisitions during this time," says a partner with one of the larger US firms. "When this thing turns around there is going to be a lot to do and we want to be in a position to do it."

Jeffery Roberts, head of Freshfields' Moscow operations, agrees the crisis is a test of nerve for the less-committed foreign firms and an opportunity for the rest to take stock. "We anticipate a period of consolidation which, frankly, may be no bad thing since life here has been so hectic for the past two or three years," he says.

The crisis has forced all foreign firms to look carefully at their own skills mix. British firm Allen & Overy was the first to bite the bullet, shedding six capital markets lawyers in early September, a decisive move regarded with a mixture of awe and foreboding by the rest of the market.

Christopher Roberts, managing partner of Allen & Overy's Moscow office, says the underlying reason was the likelihood that new capital markets issues would be dead until early 2000. His estimate is precisely in line with what others are saying privately and similar cutbacks elsewhere appear inevitable.

However, he also believes that opportunities for work in other areas remain bright.

"The banking side will bubble away until the New Year without any difficulty, and my guess is that it will continue to do so for some time after that," he says.

"And other sectors of work will definitely see increased activity. For example, we are brushing up on the whole area of insolvency, bankruptcy and litigation."

Given the collapse in asset values, M&A is another potentially strong growth area, although only the bravest investors are coming back into the market.

The Moscow managing partner of one of the larger US firms expects M&A work to be in full flow by the middle of next year. "The bottling plant valued at $20m a few weeks ago may now be worth closer to $10m and the factory worth $6m has gone down to $4m," says Mr Roberts. "By next June, some owners will be strapped for cash, buyers will be back in and acquisitions will get going."

Whatever the commercial scenario, Moscow remains a challenging and fast-moving environment for foreign lawyers.

International firms have found that, while parts of Russian law have developed well, the tendency to adapt bits of western legislation in areas such as securities and banking law has resulted in inconsistencies. New legislation tends to be hurried through with little input from the accounting or legal communities.

Then there is the issue of corruption or, as it tends to be expressed locally, the value of "contacts". One US partner says: "It comes down to the contacts not the contracts and that's a sad commentary."

Not surprisingly, local Russian firms have excellent contacts. A partner with a local firm says: "We are Russian, we are native, so sometimes it's easier for us to do the business than the international firm, even though they have a Russian presence."

However, despite the long-term and immediate problems of running a law office in Moscow, the bigger firms are committed to the Moscow market. Given Russia's potential and clients' demands for global coverage, they simply have to be there.

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THE MIDDLE EAST by Nigel Page

An oasis for long haul operators

Firms hit by the Asian crisis will find no quick fix but, for those prepared to put in time and energy, there are opportunities

Legal hub: Dubai has a steady stream of inward investment and banking activity. The Middle East's growing openness to foreign investment has created opportunities AP

As Asia's economic turmoil deepens, so the Middle East appears to offer international lenders and investors an attractive haven.

The region's comparative stability and growing openness to foreign investment have provided a select group of international law firms with substantial opportunities, although seasoned Middle East hands are sceptical of claims of any radical turnaround. "Tell me which of the current big regional deals has only come to light since the Asian crash," says one lawyer. "All these projects have been in place for some time, they just take a long time to reach financial close."

Increasing numbers of privatisations, promised capital markets developments and infrastructure projects bode well for firms with established reputations in the area. But the Middle East is not an area for short-term opportunists. Success depends on commitment.

One recent move underlines this heightened interest: Denton Hall is pushing through its acquisition of fellow London law firm and Middle East specialist Fox & Gibbons' regional network.

The intention is to bolt Fox & Gibbons' regional experience on to Denton's own projects expertise. Denton has been advising the Abu Dhabi government on the regulatory framework for privatisations in the water and electricity sectors which underpinned the flagship Taweelah A-2 plant, the United Arab Emirates' first independent water and power project.

The firm was called in to draft the new privatisation law, the first of its kind in the Middle East. Partner Christopher McGee-Osborne believes this will result in it being asked to work on similar legislation elsewhere in the region.

Denton's decision to enter the Middle East was unaffected by the £210m court case launched earlier this year by Dubai Aluminium Company against Fox & Gibbons (its former lawyers) and Deloitte Haskins & Sells and Coopers & Lybrand (its former auditors).

Whether or not Denton's arrival upsets the region's status quo remains to be seen. Most lawyers in Dubai, the main legal hub, agree that the UAE, at least, is already over-lawyered.

While a steady stream of inward investment and banking activity may continue in Dubai, it is never likely to become a centre for infrastructure financing. That role is reserved for neighbouring Abu Dhabi, a closely protected legal market which is considerably tougher to break into.

Abu Dhabi's commitment to the Taweelah privatisation, however, has been heartening for project finance lawyers, starved of opportunities in Asia.

Attention has now turned to the emirate's next build-own-operate (BOO) power project, a 1,000MW co-generation plant, as well as to the restructuring of other assets previously held by the water and electricity department.

Despite this work, caution is necessary by law firms in this region where mirages proliferate and what looked assured yesterday can evaporate tomorrow. The long-awaited UAE stock market, for example, remains a hope, rather than a reality.

Until this stream of work finally comes on-line, only those firms with the best contacts can be assured of running profitable operations.

The UAE legal market is also rife with rumours, the most worrying of which, for international firms, is that professional services firms based there will be forced to accept 25 per cent local ownership after a four-year grace period. This would dilute *profits in an already highly* competitive market.

The geographical distribution of law firms in the Middle East owes much to long standing trade and governmental links. This explains the concentration of the big English law firms – Clifford Chance, Allen & Overy, Simmons & Simmons and Richards Butler – in the UAE and their relative paucity in Saudi Arabia, the other big market.

Saudi is dominated by the US international firms White & Case and Baker & McKenzie. Besides Fox & Gibbons, which has six regional offices, the only other genuinely regional firms are Trowers & Hamlins, a London firm, which has a strong office in Mus*cat, and Richards Butler, which has strong affiliations* throughout the Gulf.

The potential for high calibre legal work in Saudi is enormous and both White & Case and Baker & McKenzie have been at the forefront of formulating acceptable financing vehicles within the Kingdom.

White & Case, for example, has developed a dedicated receivables financing framework for the Saudi Consolidated Electric Company in the Eastern Province on the $1.5bn Ghazlan II power project.

White & Case partner, Peter Finlay, who represented the province, says the deal was very important. "It was the first internationally syndicated borrowing transaction in the Saudi Arabian power sector and represents a form of financing which can be duplicated elsewhere in the Middle East."

From a lawyer's perspective, Saudi Arabia's strict *Islamic culture poses some fascinating legal and finan*cial questions, which bring traditional Islamic jurisprudence into direct contact with modern investment trends. Most lawyers predict that the *modaraba* will become established as the key contract, avoiding as it must the charging of interest and introducing the necessary element of risk.

'From a lawyer's perspective, Saudi Arabia's strict Islamic culture poses some fascinating legal and financial questions'

As Neil Miller, Bahrain-based partner of the UK's Norton Rose, explains: "In this arrangement, the borrower retains a fixed percentage of the profits, the bank's reward is a fixed share in the balance of the revenue generated by the investments and the remainder goes to the investors. There is no guarantee the bank's investment will be returned, or that a profit will be generated."

While these structures sound arcane, their impact will be significant. Every Saudi bank is advised by a *Shariah board (which com*plements its board of directors) and this decides on the acceptability of new financial products and funds according to strict Islamic tenets.

The challenge for lawyers will be to develop structures which will qualify, thus freeing up an enormous backlog of investment capital and guaranteeing a deluge of work from Saudi financial institutions.

Lawyers there are also working on the creation of a rating system for Islamic fin*ancings. As one* Jeddah-based US lawyer says: "If we can get these deals rated, it would open out a whole new market for Shariah-approved securitisations and that would create a Gulf-wide market for asset-backed financing."

Saudi Arabia is set to open up in other areas. Privatisation is being looked at closely, particularly in the telecoms and power sectors and there has been a Royal Decree authorising telecoms privatisation, as well as a recent Foreign Capital Investment committee directive that treats energy conversion – fuel into power – as a permissible industrial activity open to foreign investment. Development of a stock market is also under discussion.

PROFILE
BILL TUDOR JOHN

A believer in beer and skittles

Tudor John: 'It's true I've always made my views known'

Bill Tudor John knew from a relatively early stage in his career at Allen & Overy that he would one day be senior partner of the British international law firm.

"One of my partners told me so in the early 1970s," he says. "When I asked him why he said: 'Because you *like pushing people around.'* It's true I've always made my views known. But I'm not a bully," he says.

This is easy to believe. With his mop of greying hair and a complexion to match his snappy red braces, he seems more like a jolly Welsh squire than a dictator.

Yet, he is no soft touch. In the four years since he became senior partner, Allen & Overy has gone from strength to strength, enjoying record profits and becoming, as one partner at *a rival City law firm puts it,* "the firm on a roll which everyone is trying to emulate".

Without belittling that success, Mr Tudor John is anxious to put it into perspective. "We have grown in profitability in percentage terms more than our principal competitors, which suggests we are winning market share," he says. "But if you haven't made money in the climate of the past four years, you shouldn't be in the business at all."

The real test, he says, will come in the next few years as the world's economies slow. With 30 per cent of the firm now based outside the UK, City law firms such as Allen & Overy are not as immune from recession in far-off places as they once were. Yet, he appears to relish the challenge of troubled times and has clear ideas of how to ensure the business survives them in good shape.

This clear vision has always been with him. He joined Allen & Overy in early 1967, at a time when the firm had probably the leading corporate finance practice in the City and Jim *Thomson, the effective* senior partner, was regarded by many as "Mr Takeover".

Shortly after qualifying, the firm encouraged him to work for Ronnie Grierson at Orion Bank, a new investment bank. He stayed there for two years, but then two things happened which were to alter the course of his professional life and, ultimately, the nature of Allen & Overy's business.

First, Robin Broadley, a young Eurobond partner, left to become a director of Barings, leaving the firm with a hole to fill. Because of his experience at Orion, the firm asked him to come back. He agreed, but only if they made him a partner. So in 1972, although he was only three years qualified, he became the 27th name on the notepaper.

Second, Jim Thomson was killed in a car crash in Rhodesia. "I remember when Jim died," Mr Tudor John says. "Ronnie said: 'Well, that's the end of Allen & Overy.' But, rather like chopping down a huge oak in a forest, it allowed all the saplings which had been hidden underneath to start growing."

With Philip Wood and *Jonathan Horsfall Turner,* he set about building up Allen & Overy's banking and finance practice with great success. But corporate finance was allowed to dwindle, and by the late 1980s the firm's reputation for corporate work had slipped compared with that of its principal competitors, Linklaters, Clifford Chance, Freshfields and Slaughter & May.

'One of our strengths is that we are a workout firm. So hopefully we are better placed than most to cope with a downturn'

By the time he took over as senior partner in 1994, he had decided drastic action was necessary. "We needed to develop the commercial awareness and management capabilities of our partners and prune the dead wood. So we examined each department to see how it was performing, put a young partner, Guy Beringer, in charge of the corporate department, which totally transformed it, set up training courses for partners and got rid of several partners, which has motivated the rest."

He says this meant the firm was in a position to take advantage of the large amounts of work that have materialised in the past four years. But how well is it placed to deal with the downturn? "One of our strengths is that we are a workout firm," he says. "We proved that during the last recession. So, hopefully, we are better placed than most to cope with a downturn."

Mr Tudor John expects to carry the can if things don't go right, but he also expects to be re-elected senior partner next year. "The boys want me to carry on," he says, laughing again. But he leaves you wondering if anyone would have the nerve to stand against him.

So does he have an idea of what he wants to achieve by the time he steps down in 2004? "Yes, I want to *build up our non-UK* capabilities, particularly in western Europe and the US, which will bring huge challenges because of the cutural differences."

In Europe, Allen & Overy will concentrate on Germany, where it appears to be eyeing a merger or association with Bruckhaus Westrick Heller Löber or Pünder Volhard Weber & Axster, two of Germany's leading commercial law firms, and France, where it has run down its association *with Gide Loyrette Nouel* and hopes to reach an agreement shortly with De Pardieu Brocas Maffei & Associés, a former member of the now disbanded Pünder Group of European law firms.

As for the US, Mr Tudor John doesn't think that any of the US firms he would like to merge with are interested in merging, so he will settle for having at least 120 US lawyers in the firm by the time he retires.

And is there anything else? "Yes, people don't seem to laugh so much any more. There seems to be less time for beer and skittles. I want to keep the 'one firm' ethos and encourage people to work well together and have fun together. So, I'd like to see more time for beer and skittles."

Robert Rice

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HONG KONG by Robert Rice

Facing up to reality

British firms used to stick it out during bad times but they, too, are feeling the effects

Just over a year ago, when world finance ministers met in Hong Kong for the International Monetary Fund and World Bank annual meetings, there was some optimism that the Asian financial crisis might be short-lived and that Hong Kong and north Asia would escape its worst effects.

Hong Kong had shown a remarkable ability to bounce back in the past and the region's legal community reckoned that, although things had slowed, the handover to China had had no effect and the economy would pick up after the Chinese new year.

A year later, the crisis has turned from being a slight head cold to a fully-blown bout of Asian flu. Many of the region's economies are facing the worst recession in recent memory.

Foreign direct investment has all but dried up. The worst affected economies – Indonesia, Malaysia, Thailand and South Korea – are staggering under a mountain of debt and a severe credit crunch.

Things have yet to reach bottom in these markets, and to make matters worse the crisis has spread. The economies of Japan and Hong Kong have weakened and Hong Kong is now in recession. Many fear China could be next.

Typically, with much legal work being counter-cyclical, law firms are the last to feel the effects of an economic crisis. In Hong Kong, however, with the economy so reliant on property and with property prices having fallen by as much as 50 per cent, the local legal community has already felt the full force of the downturn.

Many local law firms, which thrive on a diet of conveyancing work during good times, have laid off staff or shut their doors in the face of a 60 per cent downturn in volume. Developers cutting prices to offload new developments have killed off the secondary market.

But it is not just local law firms feeling the pinch. In previous crises, such as after Tiananmen Square in 1989, US law firms were quick to pull up the drawbridge and retreat. This crisis looks like being no different.

With capital markets work in the region moribund, regional infrastructure projects moth-balled and their institutional clients laying off staff, the US firms have begun to pull their troops out of the region. Pillsbury Madison & Sutro and Gibson Dunn & Crutcher have closed their doors in Hong Kong. Other well known Wall Street firms retain a skeleton staff.

British firms, which until the handover enjoyed privileged practice rights in Hong Kong, have stuck it out during bad times. But they too are feeling the effects.

Few have downsized to any great degree but several firms have sent capital markets and banking lawyers back to London and replaced them with corporate restructuring, recovery and insolvency lawyers in readiness for the wave of work expected to engulf the region in the coming months.

US law firms committed to the region in the long-term, such as White & Case and Milbank Tweed, are doing much the same.

At present, little pure insolvency work is materialising in Hong Kong, other than the Peregrine investment house, Asia's biggest insolvency to date, and brokers CA Pacific. But firms with experience of the UK recession of the early 1990s, such as Allen & Overy, Lovell White Durrant and Cameron McKenna are gearing up in anticipation.

Chris Barlow, newly arrived in Hong Kong from London to head financial advisory services for accountants PricewaterhouseCoopers, says local banks, such as HSBC and Standard Chartered, are pulling people with corporate restructuring and insolvency experience back from all over the world to meet the expected upsurge in demand for their services. The construction and retailing sectors are expected to be particularly badly hit.

"Banks here have a very strong rescue culture but the big question is what is the size of backlog of problems?" he says. "If volumes build, bank resources [for managing restructuring and insolvency] will be stretched and hard decisions will then have to be made."

Previous downturns have seen white knights riding to rescue the corporate sector. But, with investors waiting for markets to bottom out, few are in evidence.

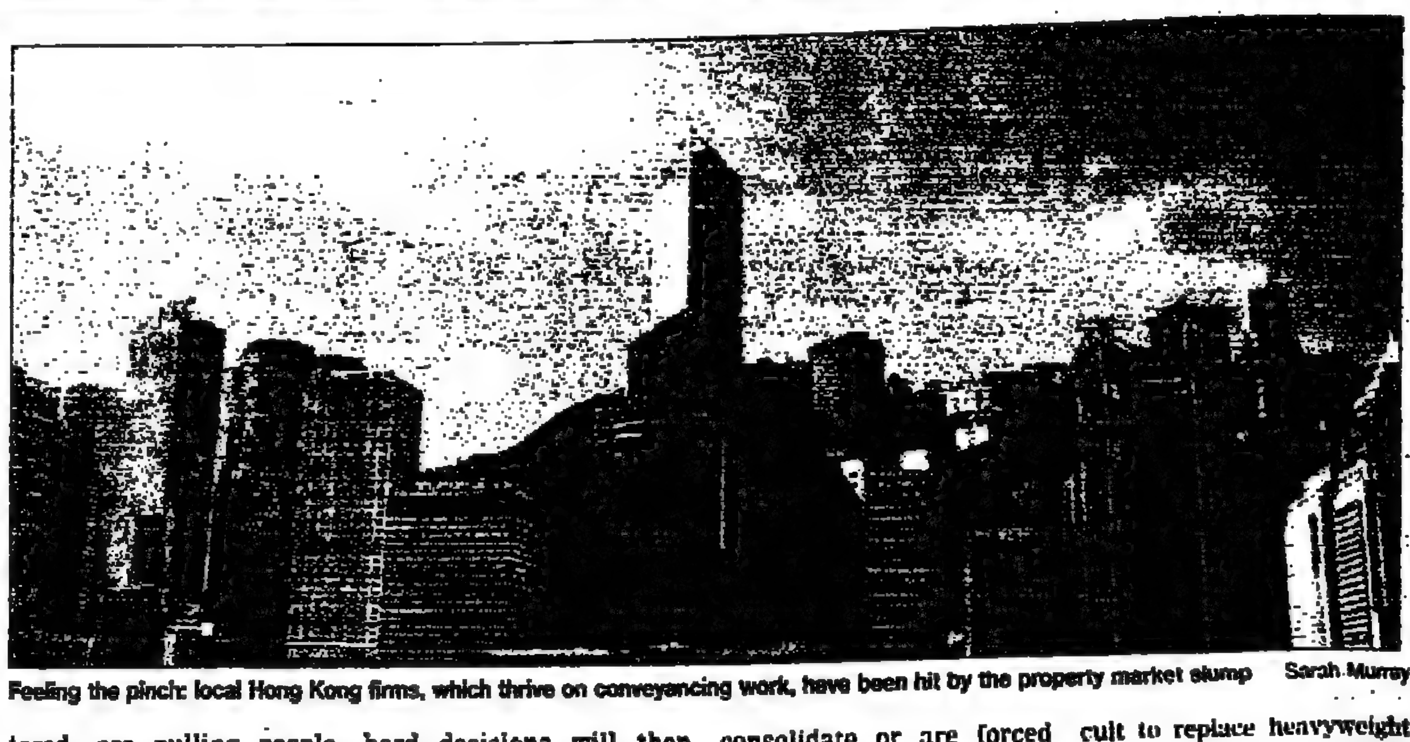
All the international law firms in the region talk confidently of a "wall of money" waiting to come back into the market once values have stabilised and of a potential upsurge in mergers and acquisitions work as bargain hunters enter the market and Asian conglomerates consolidate or are forced into selling assets.

"There is a difference in expectation between western purchasers who think they are going to get a bargain and Asian sellers who won't sell at current prices," says Lovell's Roddy McKean. "But at some stage realism will creep into the market."

The problem for most firms, particularly those previously strong in capital markets, is that the increase in M&A work does not compensate for the fall-off in securities work. "It's difficult to replace heavyweight new issue work," says Paul Monk, of Allen & Overy.

With project finance in the region also depressed, foreign direct investment in China stalled and the Chinese economy looking increasingly uncertain, there is little for the law firms to feel optimistic about.

"For law firms it will be June next year before we see any improvement. But from businesses' standpoint the whole of next year already looks like a disaster," says Milbank's Douglas Tanner.


Feeling the pinch: local Hong Kong firms, which thrive on conveyancing work, have been hit by the property market slump Sarah Murray

SINGAPORE by Robert Rice

Flexibility is the name of the game

On top of the difficulty of making money, firms are having trouble in getting paid

In south-east Asia the problems are, if anything, worse than in Hong Kong and north Asia. Indonesia has suffered a huge reversal of fortune and is again politically volatile. Unemployment has soared and people are starving.

Gross domestic product is forecast to shrink by 15-20 per cent this year. The Indonesian private sector remains mired in debt and, despite the International Monetary Fund and World Bank debt rescheduling package agreed in the summer, reform of the bankruptcy law and the creation of a new bankruptcy court, there is little evidence of companies doing much yet to restructure their capital.

The best chance of much-needed capital inflows in the short-term remains with bargain-hunting foreign multinationals. But mergers and acquisitions volumes are unlikely to pick up until the economy reaches bottom, the rupiah stabilises and it becomes easier to value investments.

Malaysia, too, has economic and political problems, reporting recently a year-on-year second quarter decline of 6.8 per cent.

All this is bad news for more than 50 international law firms which have chosen Singapore as their base for servicing Asean economies.

Capital markets and projects work stopped almost overnight last November, leaving many firms with only a trickle of projects from the Indian subcontinent and the promise of greater corporate restructuring and debt rescheduling work and a growing M&A market.

Few firms admit to having downsized their operations but several British firms have moved capital markets lawyers back to Europe and replaced them with corporate recovery specialists or not replaced them at all.

Some firms even claim to be busy. Allen & Overy, with nine projects from the Indian subcontinent and two from the Middle East being handled from Singapore and an equal number of significant restructurings, has as much work as it can handle.

But, with Singapore itself about to tip into recession, fierce undercutting of fees taking place and huge operating costs, the *status quo* cannot hold forever.

"Smaller firms which arrived within the past three years without diversified practices can't survive in the current climate," says Simon Clinton, of Clifford Chance. "Second wave firms which rode in on the back of project finance and capital markets work must be hurting."

The US firm, Chadbourne & Parke, which set up in Singapore specifically to do projects work, has already closed its doors. Others are said to be close to making the same decision.

On top of the difficulty of making money in Singapore, firms are experiencing difficulty in getting paid. "The attitude of some of the institutions is, 'We're all in this together' – we should help them recover the money they put in but not get paid for doing it," says one partner of a British law firm.

The economic downturn has come at an awkward time for the government as it considers relaxing the rules preventing foreign law firms practising Singapore law in an attempt to boost the country's status as the regional financial centre.

The attitude of some institutions is: 'We're all in this together' – we should help them recover the money they put in but not get paid for doing it

Chris Rushton, who heads Allen & Overy's Singapore operations, says investment bankers told the government that if it wanted Singapore to become more of an international financial centre it needed to upgrade support services and the way to do that was to get the international law firms on board.

A Singapore Legal Services Review Committee was set up at the end of last year to consider change. But disagreements over the extent of liberalisation between international and local law firms, which fear being swamped by their big foreign rivals rather as happened to the local profession in Hong Kong, plus concern over the Asian financial crisis, have held up progress.

A final decision from the committee is expected before the end of the year and Singapore commercial lawyer John Koh, a committee member, says some form of liberalisation is inevitable.

The aim will be to increase the level of collaboration between foreign firms and local firms, with liberalisation limited to areas, such as financial services, which have the greatest opportunities for technology transfer from foreign to local firms.

This will not please all international firms, says Haywood Blakemore, of White & Case, the only foreign lawyer on the committee. Many would love to conduct the litigation expected to flow from the financial crisis and to cash in on Singapore's growing reputation as an international arbitration centre, he says.

Local Singapore firms believe British law firms have the most to gain from liberalisation. But, although many would welcome the opportunity to hire more Singapore lawyers – not least because they are cheaper to employ than expatriates – few see big advantages in being able to practise Singapore law.

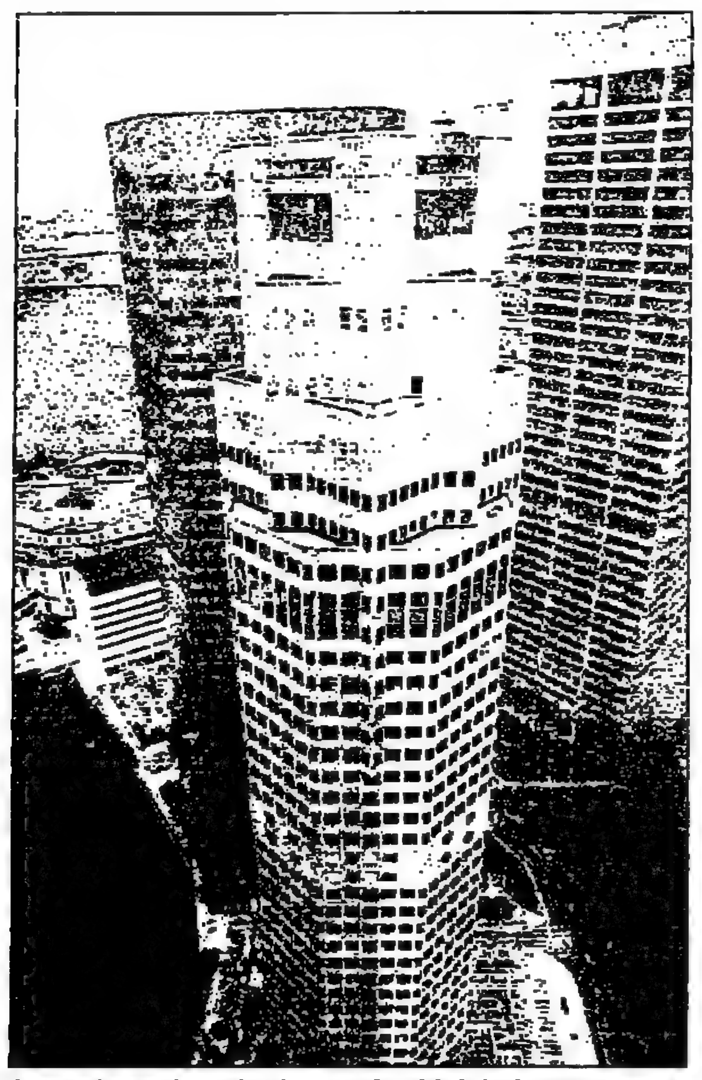
"Singapore matters amount to less than 5 per cent of the turnover of this office," says Tony Grundy, head of Linklaters' Singapore office. "Singapore law is just too similar to English law to sell it to clients ahead of English law."

With many lawyers of the opinion that Indonesia will be one of the last economies to recover, the key to survival in the meantime is seen as "regionalisation".

Flexibility is the name of the game and, with resources stretched, firms need to be able to move teams around the region.

It has to work on a practical level, warns Chris Rushton, of Allen & Overy. "If I send due diligence work on an Indonesian project to Hong Kong, I want to know it won't go to the back of the queue if Hong Kong suddenly gets busy."

This strategy should serve international firms well, provided the European economy does not turn down greatly. If it does, they are likely to find themselves stretched beyond breaking point.


Tough climate: the regional economic crisis is bad news for international law firms that are using Singapore as a base from which to service Asean economies Sarah Murray

INDIA by Richard Marsland and Nigel Page

Benefits of protectionism

A country relatively unscathed by the crisis in Asia is attractive to foreign lawyers

In any discussion with corporate financial or legal advisers on the outlook for India, one phrase recurs – India is set to "succeed by default". Despite the difficulties of doing business there, India is a safe bet compared with the rest of Asia.

The Asian crisis has made India, with a growth rate of about 5 per cent, one of Asia's star performers. This has kept foreign investors interested despite several political hurdles – a new coalition government and nuclear test blasts – which just a few months ago looked set to stymie inward investment for years to come.

Ironically, much of India's success in evading the worst effects of the Asian melt down is being attributed to the bureaucratically entrenched protectionism which was installed after independence alongside "Nehruvian socialism".

Exchange controls and government restrictions on many key industries remain. But gradual deregulation is continuing and foreign lawyers in India are now increasingly upbeat.

"There really is a lot going on," says Geoffrey Picton-Turbervill, an energy partner specialising in Indian work at the London office of Ashurst Morris Crisp. "The mix has changed a lot since the mid-1990s. At that time, there were large numbers of foreign companies talking about coming in and the press was full of stories of vast quantities of inward investment.

"But much of that talk was overstated because many people were simply coming to India, signing MoUs [memoranda of understanding] and then not pursuing the deals to fruition."

A lot of the non-serious investors have given up and gone home, he says, leaving a smaller number of large, well-resourced corporations pursuing big projects and deals. The net result is a smaller number of mandates but on real deals.

The US energy company, Unocal, for example, plans to act as lead developer for Indian projects valued at about $4bn over the next five years. Ashursts is advising on its Indian projects, including its $19m purchase this year of a 26 per cent stake in Hindustan Oil Exploration Company.

Protectionism extends to the legal sector. Under the present regulations, foreign law firms cannot open branch offices in India or advise on Indian law.

The Indian legal community's substantial protectionist element made its mark in August, 1995, when an unidentified amalgamation of local plaintiff interests, styling itself the "Lawyers' Collective", issued a suit in Bombay against three foreign firms – White & Case and Chadbourne & Parke of the US and Ashursts.

All three had established liaison offices in India under licence and the suit alleged they exceeded the scope of these licences. It also accused 11 regulatory authorities and professional bodies in the High Court of failing to control foreign lawyers in India.

The suit is now "pending" in the Bombay supreme court, a situation which could continue for years given the legendary slowness of the Indian courts. Even so, it has prevented other foreign firms from opening offices and forced the three firms to play down their Indian operations, underlining their strict liaison function.

However, the local profession remains watchful and when Ashursts' licence in Delhi was renewed on its customary six-month rolling basis by the Reserve Bank of India this year, Bombay lawyers claimed it should not have been reviewed as the issue was *sub judice*.

Whether the matter becomes more than just an irritant remains to be seen.

All three firms continue to operate in India although the US sanctions and Asia's downturn has tempered the appetite for investment and financing.

White & Case partner Raj Pande says: "We are finding that in the projects sector a lot of deals have reached the financing stage, and India definitely represents one of the more stable markets for debt financing at present."

However, other US firms more dependent on direct inward investment may find themselves exposed in the coming months.

Despite fusty regulations curtailing marketing activity and limiting firms to a maximum 20 partners, the Indian profession should be congratulated for reinventing itself in the last few years.

In Delhi and Bombay, a handful of firms have risen from the ranks to establish themselves as internationally recognised practices. In Delhi, Rajinder Narain is well known for its financing and corporate practice.

"We are mainly involved in infrastructure projects, especially power and telecoms and, increasingly, highways, and in inward investment matters," says partner Ravinder Nath.

Mr Nath says changes in Indian intellectual property legislation which afford protection to products, as well as to processes, are key catalysts in boosting interest from investors in the pharmaceutical, foodstuffs and chemical industries.

At the same time, lawyers with foreign firms active in India have noted that client demand means they can now work more easily with their Indian counterparts than has been the case.

Arun Singh, a partner based in Mason's London office, specialising in India work, says: "There are increasing numbers of projects and transactions where there is a requirement from the Indian promoters, be it a government or private entity, for foreign legal advice in close conjunction with local Indian lawyers.

"So this type of co-operation has become established, especially in cases where documentation is subject to English law."

Sanctions may continue to bite into US investment, especially in infrastructure, but for law firms with track records and connections India is irresistible.

Investment momentum is unstoppable and the potential exists for significant new areas of business, such as securitisation of assets, to come on stream.

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TAX by Jonathan Schwarz

Loopholes start to tighten

A secondment to an office overseas is now less likely to allow directors to pocket tax-free capital gains

Tax Issues

Until March this year, UK resident directors transferred abroad or taking up positions with new companies in other countries often found the move presented them with a number of attractive tax possibilities. Directors holding share options where the shares had appreciated in value were often in a particularly advantageous position.

Options granted pursuant to approved share option schemes generally were not subject to income tax where the shares had appreciated. If the directors exercised their options and sold the shares while non-UK resident, the gain would be entirely free from UK tax.

The 1998 Finance Act narrowed these opportunities considerably. Rules were introduced aimed at individuals who left the UK for short periods of time in anticipation of realising a large capital gain. Until this year, a single full tax year outside the UK would have been sufficient absence to escape capital gains tax.

Under the new rules, individuals realising a capital gain while outside the UK will be subject to UK tax on that gain on returning to the UK. The rules will apply unless the individual lives outside the UK for at least five tax years. Most secondments of senior executives abroad would be for periods less than this. These rules apply to anyone leaving the country – not just those the rules were aimed at.

Gains on share sales after departure from the UK but in the same tax year as the departure will now be taxed in that year which was not true previously for individuals who stayed away for three years.

For employees of UK-based groups, absence from head office and the centre of power for five years might be far longer than many would wish. Some relief against the harshness of this new rule may be at hand. Current Inland Revenue practice will continue to allow those going to work overseas to return for up to 90 days a year without becoming UK resident.

The complex way in which the new rules apply will mean that some directors exercising options abroad will be subject to tax and others may not. Directors intending to spend the five years outside the country may well avoid tax on the gain. An unplanned return, however, wreck the best of intentions.

Directors who have options awarded in relation to their UK employment, but who have previously lived outside the UK, may also escape capital gains tax. The charge on temporary non-residents only applies to residents in the UK for any part of four of the seven tax years preceding their period of non-residence. Thus, foreign executives posted to the UK for short periods, or those away for extended periods previously, will escape.

Those returning to the UK before the five-year period has elapsed will find that some features of the way in which the gain will be taxed are unusual. All of the gains during the period abroad will be taxed in the year of return. The only annual exemption from capital gains is that of the year of return. If the director had remained in the UK, the exemption would be available in each year. The gain, and so the obligation to pay tax, along with time-limits for making claims, are all deferred until the return, thus delaying the obligation to pay.

Directors lucky enough to move to countries with suitable double taxation treaties may find the gain is protected from UK tax while the director is resident in that country. Tax treaties patterned on the OECD model will relieve residents of one contracting country from capital gains tax in the other, unless the gain relates to immovable property in the other country, or forms part of the business assets of a permanent establishment.

Shares typically fall into neither category. As a result, tax, if any, on the gain is only due in the country where the director is resident. There are many variations on this theme found in the 100 tax treaties that the UK has entered into with other countries.

At one end of the scale, the treaty with the US allows both countries to tax capital gains in accordance with their domestic rules. Other treaties, such as the one with Canada, will allow the UK to continue taxing its former residents for up to five years on capital gains.

Neither of these offers much comfort for directors relocating to North America. Other limitations found in treaties often permit the taxation of shares in private companies or in companies whose value is principally based on local immovable property.

A number of tax treaties with important trading partners are under renegotiation. The Inland Revenue has been silent on the subject, but it may seek to have provisions included in new treaties that allow it to continue to tax the gains of former residents.

But tax treaty relief is not the only piece in the puzzle. Tax in the country of secondment will be a crucial aspect. Again, rules vary widely, from Belgium, which does not tax capital gains, to Canada, which taxes the exercise of an option even if it relates to employment that took place before moving to Canada. If foreign tax is payable, this may cut or eliminate the benefits of a gain free of tax in the UK. Complex issues may then arise in seeking to avoid double taxation, once when the option is exercised abroad, and once when it is brought back to the UK tax net several years later when the director returns to the UK.

Jonathan Schwarz is a tax Barrister at 3 Temple Gardens Tax Chambers.

TECHNOLOGY by Richard Susskind

Thinking in reverse

The function of IT is not simply to support business strategy. It is to shape it as well

Information Technology

Imagine that 30 years ago you needed money in the middle of the night. You went down to your local bank, approached a gaping hole in the wall, peered through and asked a bank teller for £20. A hand emerged gripping bank notes and released the money.

Fantasy, of course, and we would all be quick to say that this was not how domestic banking developed. Nevertheless, this does exemplify a common tendency to regard IT simply as a tool for automating existing processes and activities.

A far more productive view is to see IT as a resource that also facilitates innovation, giving rise to different ways of accomplishing commercial objectives.

Cash dispensers did not automate or systematise an existing banking practice. Rather, a new technology created an opportunity to provide an entirely new way of conducting banking affairs, one that now dominates and benefits customers and banks.

The lesson here for senior managers in any walk of life is that the greatest benefits of IT are increasingly coming from harnessing the power of technology in changing business processes and not from simply automating what already goes on.

This is often referred to in popular, but perhaps overworked, management terms as "business process re-engineering". It extends to changing people's working practices, the structure of organisations and the ways businesses collaborate and compete with one another.

Simply to automate, then, is to under-exploit the potential of new and emerging technologies. The function of IT is not simply to support the business strategy. It is to shape it as well.

So how does one go about innovating rather than automating? How can opportunities be identified for such radical change?

Two safe bets are to think in reverse from market needs and to meet the challenges of "disintermediation" (a dreadful word referring to the removal of intermediaries from the information supply chain) on the world wide web.

An example of thinking in reverse is offered by one of the world's leading manufacturers of electric power tools which compels new executives to recognise that what they sell are "holes in walls" and not just drills.

The executives are told that few of their customers are committed to the deployment of electric power tools in their homes. What they want are holes.

And it is the job of the fresh recruits in that corporation to find ever more competitive, efficient and imaginative ways of giving customers what they want, of putting holes in their walls.

The suitably humbled executives are urged in this way to think about commercial ends, not means, to focus on the needs of their customers and not to succumb to tunnel-visioned corporate enthusiasm for a particular, and perhaps quite transient, product range or solution.

There is a crucial message here for all managers when contemplating the future of their businesses.

While there is a temptation when planning to focus on streamlining and maximising what is in place today, there is surely an overriding aim. This is to get far closer to the real needs of customers and clients and, with the help of IT, to consider whether these can be satisfied by quite different means.

It is worth remembering that clients and customers are generally not too concerned about any departure from tradition so long as the product or service they require can be delivered in a way that is cheaper, quicker or better.

The branch of IT that is now facilitating the most extensive reverse thinking is the world wide web, through which all manner of services are offered. Yet it is far from clear that corporate leaders have yet grasped just how fundamentally the world is about to change because of the web.

> **It is far from clear that corporate leaders have yet grasped just how fundamentally the world is about to change because of the web**

In the UK examples include the convergence of television and the Internet, the massively increasing telecommunications capacity and the government's commitment to having 25 per cent of public services deliverable electronically by 2002.

Together, these will lead within five years to most people having access to a much enhanced world wide web, which will become the natural first port of call for all sorts of entertainment, information and services.

It will be possible to chat face-to-face through first rate videoconferencing to friends and colleagues around the world as though they are sitting next to one another. It will also be possible to participate more actively in the schooling of one's children and have direct access to most government services and information from home.

Guidance will be available on any conceivable topic, presented in wonderfully illustrative multimedia form, and information and services will be brought to everyone's attention directly without there being any need to go out and search for them.

At work, communication, trading, advice, funds transfer, negotiation, collaboration, management and marketing will come to be dominated by ever more focused and usable online technologies.

At the heart of many of these applications will be this notion of "disintermediation". For example, as people shop and bank, choose holidays, book restaurants, take out insurance cover, buy cars and go house-hunting using electronic services, these online facilities will often supersede those who help us undertake these activities today.

Many of the middlemen now known as brokers, agents or intermediaries – not just estate agents, insurance brokers and travel agents, but professional advisers and others too – will find an equivalent of some of their services being delivered online by other information providers.

Survival for intermediaries who want to work offline, as they always have done, will depend on their being able to continue adding value in the delivery of their services in this way, value that no system can replicate for the time being.

Alternatively, there are innumerable opportunities here for the entrepreneurially inclined. In particular, those who fear their replacement through disintermediation might instead give thought to designing and delivering online services themselves, packaging their experience and knowledge in this new way.

If their starting point is the real needs of the market, suppliers and users of the resultant services should both benefit from this innovative application of IT.

● *Richard Susskind is the author of The Future of Law and can be contacted on richardsusskind@msn.com*

MILLENNIUM UPDATE by Christopher Price

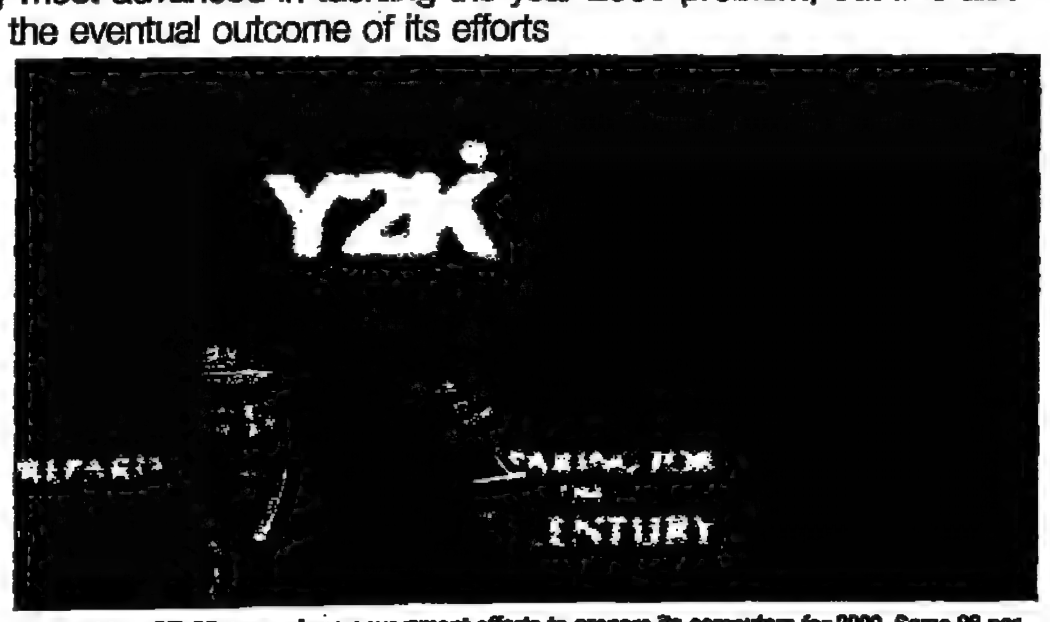
Challenge to catch the bug bigger than anticipated

The US is the country most advanced in tackling the year 2000 problem, but it is also the least confident of the eventual outcome of its efforts

Flying in aeroplanes and travelling in lifts are the two oft-quoted events that people are most likely to avoid doing on New Year's Eve, 1999.

However, if the latest and most comprehensive report yet on the global state of readiness for the year 2000 computer bug is to be believed, there is a host of other activities to be added to the list.

Cap Gemini, the large software and services group, has recently produced its second annual survey on the issue. It aims to quantify the effect on the European and US economies of the failure of some computers to recognise the change of date from 1999 to 2000 and potentially malfunction.



US President Bill Clinton reviews government efforts to prepare its computers for 2000. Some 98 per cent of US companies said they had emergency arrangements ready, against 60 per cent in Europe AP

The report makes gloomy reading. One of its chief findings is that those companies which have tackled the problem most actively have found it is far larger than first thought. For this reason the study estimates that the total cost of fixing the millennium bug in Europe and the US is $858bn, a rise of 20 per cent in the past six months.

The biggest increase has been expenditure on hardware, up by more than half to $169bn. Staff costs have risen by 17 per cent to $489bn. Meanwhile, software costs have increased 12 per cent to $200bn.

Cap Gemini calculates that $494bn – $238bn in the past six months – has already been spent to make the two continents year 2000 compliant. This is just over half of the amount the survey, for which 1,700 directors of millennium bug projects were interviewed, indicates will eventually be spent on fixing the problem.

One result of the rising cost of the bug is that other information technology projects and investments are being postponed. "The backlog of projects is growing enormously," says Geoff Unwin, Cap Gemini managing director. He sees this as indicating that concern that the IT industry will face a slump after 2000 appears unfounded.

The US emerged as the country most advanced in tackling the problem, but also the least confident of the outcome. Mr Unwin says this underlines the fact that the deeper companies or organisations dig into the problem the more complex it is discovered to be.

US companies have already committed about 61 per cent of what they expect to spend on the bug, compared with 48 per cent by European companies. Confidence in mission critical systems was 88 per cent and 95 per cent respectively.

Another intriguing statistic to emerge from the study is the proportion of businesses making contingency plans for the change of date. Some 98 per cent of US companies said they had made ready emergency arrangements against just 60 per cent in Europe. Among the latter, the UK scored 85 per cent, Sweden 82 per cent, France 43 per cent and Germany 35 per cent.

These figures reflect some worrying assumptions among the companies of the various countries. For example, only a third of European companies believe there is a risk of essential services failing as a result of the millennium bug. The corresponding figure is 67 per cent in the US.

The latter scores equally highly among other risk concerns, such as mainframes and IT systems failing, while Europe trailed far behind. In particular, only a quarter of European companies believed there was a risk of their trading partners succumbing to the bug against 65 per cent in the US.

As a result, there have been a number of moves by companies to address these concerns. Some 38 per cent of US companies said they had undertaken some degree of stockpiling of essential resources, as did a fifth of those in Europe.

More than two-thirds of US groups had made plans to use alternative trading partners in the result of a breakdown at their regular suppliers. In Europe, the figure was just 28 per cent, although it rose to 50 per cent in the UK.

Finally, the UK also scored well in making plans for IT recovery services, with half of the companies responding positively in the survey. This dropped to 31 per cent in the rest of Europe and 41 per cent in the US.

One of the most worrying statistics to emerge from the Cap Gemini report relates to systems testing strategies. Forty per cent of companies said they had no plans to institute end-to-end testing of their organisations' systems.

This rose to half of those which had no intention of testing their systems in relation to their trading partners.

"The result is that 40 per cent of year 2000 end-to-end testing will be live," says Mr Unwin. "There is no way that the world will be fully prepared for the millennium bug, so it is vital for governments, organisations and companies to prioritise."

Evidence of the concern in the UK came recently when the government slashed training costs for small and medium-sized businesses.

The two-day "bug busting" courses had cost businesses about £400 and met with a muted response. Out of an end-1999 target of 20,000 trained staff, only 400 had either gone through the course or applied in its first six months.

Mr Unwin intends to spend New Year's Eve, 1999, quietly at home in Norfolk. However, he will undertake to do what all other Cap Gemini staff must do – be fit to drive first thing on January 1, 2000.

"I have a feeling our services will be needed," he says.

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RICHARD DONKIN

In search of happiness

Companies seeking to make the most of their workers can learn a lot from John Lewis's employee power-sharing arrangement

Supposing the chairman of your company gathered his top team around him and questioned whether management success could be rated beyond the usual financial measures. Supposing he asked them to focus on employee happiness. How would your management react?

According to Sir Stuart Hampson, chairman of the John Lewis Partnership, the department store and supermarket group, his fellow directors warmed to the idea and their weekly meeting to discuss their progress became known as the "happy hour".

The company remains closely aligned to the aspirations of Spedan Lewis, the son of its founder, who outlined its corporate aims in what today would be called a mission statement. "The partnership's supreme purpose," he wrote, "is to secure the fairest possible sharing by all its members of the advantages of ownership – gain, knowledge and power; that is to say, their happiness in the broadest sense of the word so far as happiness depends upon gainful occupation."

"How many mission statements use the word 'happiness'?" asked Sir Stewart last week at a London conference on leadership run jointly by the Centre for Leadership Studies at Exeter University, John Potter International and Core Events.

"We are in this role for the long term and I'm absolutely convinced that the only way to sustain success is to have a company with a happy workforce. Do they come in just for their pay or do they come to work because they identify with the business?" he said.

Spedan Lewis began his experiment in employee power-sharing during the early part of this century. After setting up a staff council, a committee for communication and a staff journal, he began sharing profits with employees. Thirty years later he made the ultimate gesture of anyone privileged enough to have run and owned a business, transferring his rights of ownership to trustees.

Thus employees, who call themselves partners, enjoy a relationship with their management that is difficult to match in other companies.

How many companies run a staff magazine allowing employees to comment anonymously on management decisions within the bounds of the libel laws? Just occasionally there is a need to edit out confidential commercial information. This is because the company opens its books to scrutiny by any of its 36,000 employees.

Then there are the staff benefits. The company has three golf courses and five ocean-going yachts. Membership of the company sailing club costs £1 a year and a day's sailing at the weekend costs £13.

It has holiday accommodation in the Lake District, on Brownsea Island, and a camp site on its 3,000-acre Hampshire estate, which also includes a stretch of the River Test, one of England's finest chalk streams for those employees who enjoy fishing. Employees can buy half-price tickets for the theatre through the company and this year the partnership has leased two out-of-season weeks on Lundy Island from the Landmark Trust for staff holidays. The subsidised prices range from £12 to £66 per person for the week.

There are 20 company-based special interest clubs, covering such pastimes as skiing, riding, pottery, gliding, drama, photography and gardening. Not only that, if you make it through five years with the company, your job is as about secure as any job can be.

So what's the catch? There is no catch. This is not a trendy company. It does not believe in management by committee. There is a hierarchy and some are paid much better than others. Profit bonuses are shared out on the same percentage of basic salary.

Spedan Lewis died embittered that his ideas did not catch on. Perhaps they were ahead of their time

John Lewis is not the only employee-owned business in the UK. A similar trust was set up at Baxi-Boilers in Preston when Philip Baxendale passed over his shareholding. Tullis Russell, the Scottish paper milling company, also has many similar features of employee involvement. Shares in Tullis Russell were bought from family owners in a complex purchase scheme designed to transfer ownership to employees.

It is not just the ownership structure of these companies that is different. Their whole culture is different, reflecting a tacit understanding by management that the employees are integral to the business.

Spedan Lewis died somewhat embittered that his ideas did not catch on across industry. Perhaps they were ahead of their time. Tax breaks are available in the US for those wishing to transfer their shareholdings to employees.

But the movement needs some greater incentive or encouragement if genuine employee ownership is to become more widespread. Surely a system that shares profits among everyone who worked to create them is a more acceptable face of capitalism than that which is engineered by remote owners whose only concern is with a management's ability to squeeze out maximum profits year after year before they sell their shares to the highest bidder.

richard.donkin@ft.com

Salaries, bonuses and car allowances in City of London finance

Position	Base salary: Lower quartile £'000	Median quartile £'000	Upper quartile £'000	Average salary £'000	Average bonus (% salary)	Car or allowance provided (% posts)	Car provision or car allowance: Median car value* £'000	Annual allowance £'000
Corporate finance head	107.0	118.3	135.1	128.4	78.4	96	21.8	7.2
Capital markets head	128.6	165.8	183.7	176.7	83.3	71	–	8.7
Bond sales head	105.0	115.0	140.0	122.1	197.5	83	–	7.5
Fund management director	118.9	147.0	197.7	182.4	64.5	88	24.4	8.6
Future & options head	94.0	109.0	123.8	106.1	38.8	67	16.2	8.4
Eurobond trading head	101.3	117.3	138.3	118.0	188.5	81	20.0	7.2
Equity trading head	118.0	128.0	144.4	126.3	118.0	[illegible]	18.1	6.7
Private banking head	128.0	128.0	150.6	122.6	68.3	[illegible]	22.0	7.2
Head of research	88.0	88.3	128.4	98.8	88.1	[illegible]	–	8.0
Financial director	83.1	84.0	117.4	102.3	38.3	88	22.8	7.8
Chief FX dealer	78.1	95.6	119.8	98.9	50.7	73	18.0	6.0
Legal services head	67.8	77.8	90.0	88.4	38.0	67	19.3	6.5
Personnel director	85.0	95.0	95.0	83.5	42.2	88	22.5	7.0
Money market head	63.5	71.1	85.8	78.5	36.1	60	19.2	6.0
IT director	61.0	72.1	80.0	74.5	30.5	63	20.4	6.4
Credit head	98.8	100.0	120.0	109.0	24.5	79	18.9	7.1
Head of risk	74.5	88.9	100.0	91.1	42.3	81	17.4	7.0

* Increasingly companies are providing car allowances instead of company cars and therefore sample sizes for car values are in some cases quite small. These figures should be treated with care.

Problems in Asia and Russia set to hit bank bonuses

Monks Partnership, which has just published its latest quarterly guide to salaries in international banks and finance houses in the City of London (see table), is expecting a big drop in the level of managerial bonuses as a result of the economic problems in Asia and Russia. The large US investment banks, plus some of the more traditional merchant banks, have begun to cut staff and most are budgeting for salary rises between 3.5 per cent and 4 per cent in 1999, compared with an average of 5.7 per cent in 1997-98. Some investment banks, it says, will not award pay rises next year. The guide which covers 425 jobs in 18 functional areas, draws on information from 170 employers.
Monks Partnership, tel +44 1799 542222

Counselling

Few would regard stress counselling as a perk but it is listed in Hay Management Consultants' latest study of employee benefits. More than half the 235 companies surveyed provide stress counselling, up from less than one-fifth eight years ago. The number providing outplacement services had almost doubled to 75 per cent. Sabbaticals, car allowances, paternity leave and childcare had increased. On the decline are subsidised telephone bills, luncheon vouchers, share option schemes and profit-sharing schemes.
Lindsey Binnie, tel +44 171 881 7200

Poor response

Boardroom reforms recommended by the Cadbury Committee have been largely ignored in mainland Europe, according to a study by Korn/Ferry International.

The report, based on responses from 450 chief executives and directors, said few continental European companies plan to set up committees to select non-executive directors.
Ruth Grierson +44 171 312 3249

BANKING & GENERAL FINANCE

مكتبة الأصل

Chief Insurance Officer

Fair Forsikring (Fair Insurance) is a Danish non-life insurance subsidiary of Fair Financial Ireland. The company has significant growth plans for Northern Europe. We are looking for an experienced Chief Insurance Officer with focus on underwriting, enabling the company to exploit the significant opportunities which exist in the market place in Northern Europe.

Fair Forsikring is a joint venture between a major Scandinavian insurer and an American investment company. The company is well funded for its growth plans and currently employs approximately 50 staff. The company is managed by a young untraditional team with a new approach to personal lines insurance.

The applicant will have at least 10 years experience of personal lines with an emphasis on private motor. Strategic and tactical pricing will be the most important skills, but general and man management skills are also essential.

The position is based in Denmark and will form part of the senior management team. The company's wider business plan includes other European countries, and you will ultimately be responsible for overall underwriting.

For more information please contact CEO Morten Steen Jargensen at +45 33694510 or at msj@fair.dk. Application including Curriculum Vitae to be sent by mail to Fair Forsikring, Fredericiagade 16, DK-1310 Copenhagen, Denmark, Attn: Morten Steen Jargensen.

Fund Manager - Far East Equities

Smaller Luxembourg-based fund management organisation is recruiting a manager to be responsible for the Far East portfolio. The successful candidate will become part of a small investment team, investing according to value investment principles.

We imagine you have:
- 3-4 years experience in the markets
- experience in analysis of company fundamentals
- strong analytical abilities

Knowledge of one or more languages in the Asian area would be an advantage, but no condition.

For further information, please call Tom Olsen + 352 43 88 72 27.

Applications, enclosing a curriculum vitae, should be faxed to + 352 43 93 51 or mailed to:

The Personnel Manager
Unibank S.A.
P.O. Box 562
L-2015 Luxembourg

Unibank
Private Banking

Marketing Manager

DUBAI

A leading Bank is looking to recruit a Marketing Manager to work in a specialised area of commodity finance based in Dubai. An attractive local package is available to the successful candidate.

This senior position involves the marketing of specialised commodity based products within the GCC states. In order to qualify for this position, you will need to have a solid banking background of at least 10 years; marketing experience – preferably with capital market products; and educational qualifications of degree level and beyond.

Ideally you will be fluent in Arabic although this is not a precondition of the position.

To apply send your CV to Box No A6264, The Financial Times, 1 Southwark Bridge, London SE1 9HL, UK.

FINANCIAL ANALYST

■ The company, a world leader in its sector, was established through the creation of a global partnership between one of the UK's leading utilities and one of America's premier engineering, construction and project management companies. Together they can call upon 100 years' expertise on some of the world's most challenging infrastructure projects.

■ As Financial Analyst, you will be a key member of the team, working with bid managers, development managers and the regional VPs, analysing project viability and risk. Primary tasks include the construction of financial models and research of economic data, tax and accounting standards.

■ A graduate with a relevant degree, you should have a good understanding of accounting, experience of constructing and operating complex financial models, a strong personality and excellent communication skills. The role involves some international travel; therefore a second European language would be an advantage.

■ ***Please send your CV, quoting current remuneration and ref. 7008 to: Keith Tracy, Theaker Monro & Newman, Wrens Court, 46 South Parade, Sutton Coldfield, West Midlands, B72 1QY (tel. 0121 355 8868). All replies will be handled in strict confidence.***

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International Project Finance & Development

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£35-40,000
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MANAGER/VICE PRESIDENT PROJECT FINANCE

The Company
A medium sized private oil gas engineering and resource company with revenues of $300 million per year focussed on upstream and downstream project development in emerging markets.

The position
Responsibility for project development, project documentation, determining optimal financing and procuring financing with financial institutions.

The Candidate
A highly motivated, entrepreneurial graduate with several years project finance experience gained with a major player. Proven track record for closing structured finance and project finance transactions.

Remuneration
Attractive package with incentive bonus scheme. Equity participation in the company would be considered for senior executives.

Please send detailed CV which will be treated confidentially to:
Anne Enright
205, Holland Park Ave
London W11 4XB, England
Fax: 0171 371 4312
email: annee@petrofac.co.uk

HÄNDLER(IN) ZINSPRODUKTE

Wir sind eine 100prozentige Tochter der Norddeutsche Landesbank Girozentrale Hannover, die die Hausbank der Länder Niedersachsen, Sachsen-Anhalt und Mecklenburg-Vorpommern und die Zentralbank der niedersächsischen, sachsen-anhaltinischen und mecklenburg-vorpommerschen Sparkassen ist. Am Luxemburger Bankenplatz zählen wir zu den 20 größten Kreditinstituten.

Zur personellen Verstärkung unseres jungen dynamischen Teams suchen wir zum nächstmöglichen Termin eine(n) erfahrene(n) Händler(in) für den Zinsbereich.

Unser(e) neue(r) Mitarbeiter(in) sollte über fundierte mehrjährige Erfahrungen im Handel mit derivaten und klassischen Zinsprodukten im Laufzeitbereich von bis zu 2 Jahren verfügen. Verständnis für volkswirtschaftliche Rahmendaten und analytisches Denken sind Voraussetzung für ein selbständiges und gewinnorientiertes Handeln. Kenntnisse der Finanzmathematik sind hilfreich bei der Bewältigung des Aufgabengebietes. Die Beherrschung der deutschen sowie der englischen Sprache setzen wir voraus; französische Sprachkenntnisse wären von Vorteil.

Interessierte Damen und Herren bitten wir, die vollständigen Bewerbungsunterlagen mit Gehaltswunsch und frühestem Eintrittstermin an unsere Personalabteilung zu senden:

POSTFACH 121
L-2011 LUXEMBOURG
TEL. (00352) 45 22 11-281

NORD/LB
NORDDEUTSCHE LANDESBANK
LUXEMBOURG S.A

ACCOUNTANCY APPOINTMENTS

FINANCE MANAGER

TURKEY, NORTH AFRICA AND MIDDLE EAST REGION
ISTANBUL

With sales in over 190 countries, territories across five continents and with annual attributed revenues of over US$11 billion, Seagram is a leading company in spirits, wine and entertainment. Its impressive portfolio of premium spirits and wine brands include such prestigious names as Chivas Regal, Crown Royal, Captain Morgan and Martell.

A truly global organisation, Seagram is now seeking to recruit a high profile individual to join the international management team for its growing spirits and wine business in the Turkey, North Africa and Middle East Region who will have the following:

- A degree in Business Administration, perhaps to MBA level, and an internationally recognised accounting qualification.
- Between five and eight years' commercial experience in an international environment, some of which should ideally have been spent overseas.
- Strong interpersonal skills, demonstrating successful people and relationship management across different cultures.
- Excellent communication skills and knowledge of a second language, such as French or Arabic, is desirable.
- Experience in identifying, analysing and developing plans and investment opportunities at international level.

Reporting to the Regional General Manager and based in Istanbul, you will prepare and monitor all financial aspects of Seagram business interests in a region which extends from Morocco to Bangladesh. You will add value to the company by establishing a strong and effective finance infrastructure across the region, developing appropriate systems which will ensure best practice management. You will provide financial control for the region - from preparing forecasts, budgets and strategic plans to monitoring expenditure, identifying risks and exploring ways to improve financial performance. You will elicit, prepare and present finance and accounting data which will satisfy local statutory requirements and comply with Seagram corporate policy.

You will travel within the region and to the London Head Office as required, applying your pragmatic approach to business issues as they arise. You will have an excellent track record in finance, and will demonstrate your ability to flourish in the dynamic, hands-on environment of the company. In return, Seagram can offer you excellent career development prospects in a multinational and multicultural environment and a commensurate expatriate package.

Interested candidates should write in confidence to Sandy Swarbrick or Sarah Nicoll, quoting reference code TRR354, at Nicholson International (Search and Selection Consultants), 24 Bruton Street, London W1X 7DA, or alternatively fax your details to + 44 171 317 0717 or e-mail to niturkey@turk.net. The closing date for applications is 27th November 1998.

NICHOLSON INTERNATIONAL
31 Offices • 24 Countries • One Vision

UBS Capital

UBS is involved in a wide range of investment banking, wholesale finance and asset management activities throughout the world. UBS Capital, the Private Equity division of UBS, provides capital to growing companies through teams located across the UK and Continental Europe. It has enjoyed considerable success and is rapidly gaining recognition as a market leader in European private equity.

Finance Director - Private Equity

London **£ Six Figure Package**

The growth of the business has generated a requirement for an exceptional Finance Director to join a highly focused and experienced team of investment professionals. This is a key appointment where the emphasis will be on contributing significantly to the growth and value of the business, through the provision of strong financial management. Specifically, the successful applicant will be responsible for the financial and management reporting process, as well as financial planning and budgeting. In addition, the appointee will liaise extensively with other parts of UBS regarding the taxation, legal and regulatory issues which arise in a business of this complexity. Other key responsibilities will be the administration of the private equity compensation scheme, along with the evaluation of investment performance and risk with regard to both specific investments and regional portfolios.

The ideal candidate will be a commercially orientated ACA/MBA with experience of operating at the highest management levels in a challenging environment. Applicants must demonstrate experience of the following:

- a senior financial management role within a private equity environment, or alternatively within a significant hedge fund; or
- a senior financial role within a highly acquisitive commercial group, where involvement in corporate development activities has been extensive.

All applicants must be capable of demonstrating a record of outstanding achievement to date. This is an exceptionally visible and high profile appointment, where prior knowledge of private equity or fund management businesses will be distinctly advantageous.

The remuneration package will reflect the seniority of the position and will include a highly attractive basic salary, significant bonus potential, normal executive benefits and the opportunity to develop a stimulating career within a highly successful and expanding business.

Applicants should forward a CV in strict confidence to Guy Townsend or Brian Hamill at Walker Hamill Executive Selection, quoting reference GT 5203. All direct responses will be forwarded to:

Walker Hamill Executive Selection, 103-105 Jermyn Street, St James's, London, SW1Y 6EE. Tel: 0171 839 4444 Fax: 0171 839 5857 Email: gtownsend@walker-hamill.co.uk

HEAD OF MANAGEMENT ACCOUNTING

Highly attractive expat package

Middle East Based

Our client is a major regionally based commercial bank with an extensive domestic branch network and a comprehensive product range servicing a wide base of both corporate and retail customers. To reinforce further its position as a leading institution in an increasingly competitive market place, the bank seeks urgently to appoint a senior high calibre finance professional to build and develop its management accounting function using state of the art technology and reporting tools.

The Role

- Responsible to the Chief Financial Officer for the provision of top quality management and financial information on products, customers and business units.
- Critically appraise current reporting methodologies and efficiently manage forecasting/budgeting and statutory reporting processes.
- Actively contribute to the development of new costing and reporting systems to create a world class model to trace product costing and customer profitability.
- Support and bring added value to the strategic planning and decision making process of the bank by developing reports to analyse functional and business line viability.

The Candidate

- Qualified accountant with a minimum of 10 years experience gained within a major international banking institution.
- In-depth understanding of current management information reporting systems and associated technology.
- A proven manager with an assertive but diplomatic manner able to thrive in a challenging and demanding team environment.
- Highly developed computer skills.

This is a vital new role which offers the opportunity for a creative and decisive individual with commercial flair to raise the profile of the bank's finance function and provide added value throughout the organisation. The fully comprehensive expatriate remuneration package will reflect the importance of the appointment.

Please send your curriculum vitae in confidence to Philip Wright or Brian Jarvis or telephone for an initial discussion.

Devonshire Executive
13 Austin Friars
London EC2N 2JX
Telephone: 0171 670 1700
Fax: 0171 670 1795
E-Mail: exec@devonshire.co.uk
www.devonshire.co.uk

Devonshire *executive*
A MEMBER OF THE DEVONSHIRE GROUP PLC

FINANCE DIRECTOR

Telecoms

Help lead the European activities of this focused Operator

c£70K + Bonus + Benefits **London**

Our Client is the UK subsidiary of a major US Operator. With global revenues of US$2bn in 1997, the European Division of this business is at an embryonic stage. The UK is the potential springboard for other European operations and, as one of a small group of executives, it will be your role to help lead this business as well as take responsibility for its financial affairs.

The Role:
As part of the UK management team you will continue the development of the appropriate financial management and reporting structure of the business.
You will play a key part in leading the business with the UK MD and contribute to the commercial soundness of the decisions made in pursuit of the UK objectives.

The Person:
A qualified accountant with senior financial management experience in the telecoms sector, you will have a good understanding of operational and customer management issues. A communicator and leader you will relish the opportunity to lead and influence, as well as be willing to develop your career.

This is an outstanding opportunity for a highly capable and ambitious manager with a keenness to contribute to the ongoing creation of a business.

To apply send your CV quoting ref: SF/TFD and your current salary to: Stephen Finley, Mercuri Urval, Spencer House, 29 Grove Hill Road, Harrow, Middx HA1 3BN. Tel: 0181 863 8466 Fax: 0181 861 1978 Email: sfinley@mercuri-urval.co.uk

Mercuri Urval

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FINANCE DIRECTOR

Global Fund Manager

Six figure package **London**

A rapidly growing world leader in fund management with significant assets in the UK seeks an entrepreneurial finance director to help drive the business forward.

You must be able to demonstrate excellent technical skills in financial reporting gained in the financial services sector. A lively intellect is essential coupled with an easy communication style to deal with auditors, regulators and bankers.

You will have a wide ranging commercial remit with full Board responsibility for statutory and regulatory reporting, management accounts, business profitability, pricing of outsourced services, product pricing and the provision of management information.

This is an important opportunity for a high calibre person to thrive in a dynamic and changing environment.

Please reply in confidence, with CV and remuneration details, to Criterion Search, 50 Regent Street, London W1R 6LP, quoting ref: 3043. Tel: 0171 470 7212. Fax 0171 470 7171.

CRITERION SEARCH
PART OF THE CURZON PARTNERSHIP

UK TREASURER

International Financial Services

To £80,000 + benefits **London**

THE GROUP is the world's fastest-growing global insurance services organisation, offering a comprehensive range of insurance services - reinsurance and wholesale/speciality broking, insurance management services, consumer insurance products, consulting and underwriting. Via continuing acquisition and organic expansion, the Group has grown revenues to $5.8bn and has established market leadership in a fast-changing industry.

THE ROLE is to manage the financial assets and liabilities of the UK Group and certain international operations. Working closely with the U.S. Treasurer, but with a high level of local autonomy, you will enhance client and corporate cash management, FX identification, risk control and treasury reporting. Key to success is the ability to build long-term relationships with business managers across the Group and with the U.S. parent.

CANDIDATES should be MCT qualified graduates with extensive experience within a blue chip, international group. Hands-on and team oriented, mature and highly credible, applicants will demonstrate the drive and ability to progress within this meritocratic and open organisation.

Please write in confidence, with CV and remuneration details to, Criterion Search, 50 Regent Street, London W1R 6LP, quoting ref: 3046. Tel: 0171 470 7212 Fax: 0171 470 7171.

CRITERION SEARCH
PART OF THE CURZON PARTNERSHIP

TOUCHDOWN AT SCHIPHOL
EATON'S NEW EUROPEAN HQ

Exciting career opportunities open up when EATON establishes its new European Headquarters at the Gateway to Europe, Amsterdam. If you are a professional in the area of Finance you are now challenged to contribute to our corporate growth goal. A goal as ambitious as feasible!

Internal Auditor

The primary responsibility of this role is to ensure that operating units are performing efficiently and in accordance with Eaton guidelines. To achieve this you will review processes and recommend improvements whilst ensuring that they are implemented and adhered to. You will also be involved in a variety of ad hoc projects. To succeed in this role, you will have at least 3 years' experience in internal or external auditing within a multinational, blue chip environment. You will also possess a real desire to add value to the business and the ability to take full advantage of the challenges this international opportunity has to offer. This role involves an element of worldwide travel.

Financial Analyst

Within this role you will provide statutory and financial management information to support the European Headquarters and operating units throughout the Netherlands. This will include an extensive range of financial responsabilities together with varied ad hoc projects. The successful candidate will have at least 3 years' experience gained within an international financial reporting environment and knowledge of the Dutch accounting system as well as US GAAP.

[illegible]

Information & orientation

Information is also available on the special EATON page of the website of FSS (www. fss.co.uk/eaton), Eaton's consultants in recruitment, search & selection, who will be handling the first contacts.

For more specific information you may contact Richard Morris at FSS in London, phone 00 44 1753 621866. Send your written application - with c.v. - in English to Richard Morris, FSS Group, Paragon House, 102 High Street, Eton, Berkshire SL4 6AF UK.

EATON

Head of International Audit

c£60,000 & bonus & benefits

Our client is a very ambitious £1 billion listed UK plc operating in the Global Logistics and Business Services sector with successful and growing operations in over 100 countries. The Group's expansion is underpinned by a very focused management, a strong drive in service innovation and the organisational flexibility to take advantage of the increased demand for sophisticated, integrated logistics and service solutions. Organic growth is complemented by a very active acquisitions programme.

The Group International Audit Department performs an essential role in providing assurance to directors and managers regarding the quality of information and integrity of financial and operational systems and control processes. It also provides independent appraisals of business activity, acquisitions and other related project work. The Department is consequently able to provide finance professionals with valuable experience of the Group. The Head of International Audit position has proved to be a very successful entry point and development role - the previous three job holders have moved on to Regional Financial Director positions within the Group.

Candidates should be Chartered Accountants, with strong academic qualifications and several years exposure to multinational clients at manager level in a major audit firm. The role demands high levels of technical competence, computer/systems experience and strong management and communication skills. **The Group culture and the nature of the position make overseas experience and a second language a material asset.** The position will be based in the M4 corridor and there will be up to 40% travel overseas.

Please reply in confidence quoting Ref: L664 to:

Brian Mason
Mason & Nurse Associates
1 Lancaster Place, Strand
London WC2E 7EB
Tel: 0171-240 7805

Mason & Nurse
Selection and Search

c£35K + car + benefits

INTERNATIONAL FMCG COMPANY

Bucks or Amsterdam

COMMERCIAL AUDIT MANAGER
"delivering value in a partnership environment"

This is a £3.3 billion international FMCG organisation with operations spanning every continent and an outstanding portfolio of market leading brands.

Following the recent recruitment of a new Head of Audit Services the audit department is now committed to establishing itself as a partner to the business, focusing on managing business risk and controls. As a key member of this team the Audit Manager will assist operational management with the achievement of its goals across a geographical region that covers Western and Eastern Europe, Middle East, Equatorial Africa and South Asia.

All candidates must be recently qualified accountants or MBA's with a strong track record of delivering results. Individuals with exposure to blue chip multi-nationals will be of particular interest. Essential is the energy, enthusiasm and commercial acumen to add real value and influence a wide range of business managers.

The department has already had considerable success in promoting managers into the business. It is envisaged that it will become a training ground with individuals being actively marketed into line roles after about two years. This is an outstanding opportunity to make an impact on a world famous organisation during a period of significant change.

Interested applicants should write to Lucy Bennell at the address below, enclosing a CV.

The Peachell Group Ltd, Recruitment Consultants,
125 High Holborn, London WC1V 6QA.
Tel. 0171 404 3155 Fax: 0171 404 0140

The Peachell Group
THE HUMAN DIMENSION

Queensgate SPV Services Limited
CAYMAN ISLANDS

Client Accountant **Attractive Tax Free Salary + Benefits**

This exciting specialist fiduciary services company, located in the Cayman Islands, is an offshore services provider to companies involved in structured finance, securitisation and capital markets transactions.

Continued expansion has created excellent opportunities for two qualified ACCA, ACA or CPA's with a minimum of 2 years' post qualification experience to handle the fast growing workload. The positions will include the provision of accounts and accountancy advice to offshore Special Purpose Vehicles involved in all forms of debt issues. Reporting to the Directors, specific responsibilities will include:

- maintaining accounting records for SPV's
- preparing financial statements for SPV's
- liaising with auditors
- administration of voluntary liquidations
- assisting the company's Financial Controller
- assisting in the implementation of the expansion of the company's existing accounting systems

Whilst knowledge of SPV transactions is not essential, all applicants should be computer literate. In particular, knowledge of Excel, Word and Peachtree would be advantageous. The salary will be attractive and is subject to negotiation.

For further information in complete confidence please contact Jane Foster at Laurence Simons International or send a CV to her at the address below. All direct and third party responses will be forwarded to us.

LAURENCE SIMONS
International Legal Recruitment

Craven House, 121 Kingsway, London WC2B 6PA, Tel + 44 (0)171 831 3270, Fax + 44 (0)171 831 4429
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Providing Global Solutions to Local Demands

Established over 50 years ago, our client is a global organisation generating revenues of over $1 billion annually. This highly successful Group procure, process, store and distribute commodities worldwide. Renowned internationally for their professional and synergistic approach, the group, based on solid foundations has grown rapidly in the last few years due to their success in providing bespoke solutions to local markets within a global infrastructure.

Financial Director

London, W1 **£70,000 + Benefits**

Reporting to senior management and responsible for the financial direction of the organisation, duties will include:

- Supervision of financial activities for the Group, overseeing accounting operations and ensuring compliance with all relevant legislation.
- Responsibility for continuing and further developing relationships with a number of financial institutions and the management of banking facilities.
- Investigation of business proposals and potential acquisitions ensuring financial reliability and strategic fit for proposed projects.
- Responsibility for human resources including headcount strategy and recruitment procedures.
- Developing relationships with brokers in clearing houses, insurance markets and different commodity exchanges.
- Working closely with the Executive Director to establish and develop the future direction of the Group by sourcing new financing methods eg syndication, securitisation and off balance sheet funding.

Candidates will be graduate qualified accountants with a minimum of five years PQE and a proven track record at a senior level. Ideally you will have worked within a quality driven business-to-business service environment. Having demonstrated strong interpersonal skills and clarity of strategic vision, you must also have the energy and drive to translate this vision into reality. Ref 464604

Financial Controller

London, W1 **c £50,000 + Benefits**

Responsible for the day-to-day activities of the Group's accounting function, the duties will include:

- Co-ordination and management of the accounting operation, with responsibility for ensuring the smooth day-to-day running of accounting and financial reporting, by liaising with Finance Managers worldwide.
- Responsibility for the co-ordination and review of monthly reporting, forecasting and budgeting including commentaries and variance analysis.
- Responding as necessary to ad-hoc requests for reports, information and analysis on a group wide basis.
- Ensuring, by liaison with relevant departments, that the management information systems are continually evolving to provide relevant commercial information, adding value to the organisation as a whole.
- Ensuring accounts procedures are adhered to and propose improvements to working methods where required. Set up procedures and instruction manuals for finance processes, reconciliations and systems.

Candidates will be graduate qualified accountants with at least two years PQE; strong technical and team leadership skills will be a prerequisite. Practical exposure to the areas mentioned above would be desirable, however, the potential and quality of the applicants is paramount to enable them to develop with the Group. Ref 467759

To apply for either of these high profile roles, candidates should write enclosing a current curriculum vitae quoting the relevant reference to Neil Murphy, Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LN. Telephone 0171 269 2335, fax 0171 242 1020, e-mail: neilmurphy@michaelpage.com

Michael Page
FINANCE
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Head of Finance and Estates

Ravensbourne College of Design and Communication is a centre of excellence offering high quality specialist education for the design and communication industries. Operating in the University sector, Ravensbourne offers internationally recognised degree courses in broadcasting and design. Working in partnership with sponsor industries to provide optimum opportunities for students, the College has invested heavily in new digital technology to enable the development of new skills and disciplines.

South London **c £40,000 + Benefits**

The College is currently seeking a Head of Finance and Estates to take responsibility for all financial aspects of academic and commercial activities.

The role:

- Strategic planning - a member of the Senior Management Team, five year strategic plans and financial forecasts, risk assessment and financial control.
- Financial information and systems - production of financial statements and statutory requirements, develop and improve the integrated management information systems to support quality of information.
- Financial management - assume responsibility for procurement, estates facilities and external contracts within the College.
- Staff Management - support and encourage the finance team.

The ideal candidate will be:

- Fully qualified Accountant (CCAB recognised).
- Credible - able to liaise with all levels of senior management, academics and support staff.
- Enthusiastic - willingness to inspire others and lead by example.
- Pro-active - desire to improve and develop in an evolutionary culture.
- Commercially Aware - identifying areas for improvement or development, providing an innovative perspective to problem solving.

Interested candidates should write, enclosing their CV and details of current package to David Morgan at Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LN. Fax 0171 831 6293. Please quote ref 466786 e-mail: davidmorgan@michaelpage.com

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Head of Financial Management

ONE HUNDRED YEARS OF CARING
DGAA HOMELIFE
1897-1997

DGAA Homelife is at the forefront of care and support for professionals suffering frailty in old age or financial distress. Established in 1897, DGAA Homelife is a nationally and internationally recognised charity, setting standards of excellence in the quality of care and service provision. With an annual expenditure of £15 million and 14 residential and nursing homes across the UK, the charity is presently completing a £24 million refurbishment programme and is in a position to embark on the next phase of its development.

Central London **up to £38,000 + Benefits**

In this exciting, newly created position, DGAA Homelife is looking for an individual to contribute to the commercial awareness of the organisation, whilst maintaining the charitable ethos. Reporting to the Director of Finance, the Head of Financial Management will be responsible for:

- Reviewing financial controls and procedures, implementing new policies to improve financial performance.
- Establishing key performance indicators, activities and financial models to support corporate strategy.
- Maintaining and developing budgets for 14 residential and nursing homes, supporting budget holders in making financial decisions.
- Business re-engineering, including research into new computer systems and implementation of new data flow to strengthen management control.
- Deputising for the Director of Finance where necessary.

To succeed in this role, you will be excited by change, innovative, commercially aware and results driven. Your CV will demonstrate:

- Full accountancy qualification (ACA, ACMA, ACCA).
- Credibility with an ability to enthuse others and lead from the front.
- Ability to assess problems, apply theories and generate solutions.
- Systems skills, including development and implementation.
- First class track record of achievements.

Interested candidates should write, enclosing their CV and details of current package to David Morgan at Michael Page Finance, Page House, 39 41 Parker Street, London WC2B 5LN. Fax 0171 831 6293. Please quote ref 467464 e-mail: davidmorgan@michaelpage.com

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Director of UK Business Services

North West **c £50,000 + Car + Bonus + Relocation**

Our client is a major multinational manufacturer, supplying a range of advanced technology, engineering and chemical products. It is continually at the leading edge of worldwide manufacturing initiatives and is growing both organically and by acquisition.

An experienced finance professional is required to head up the shared business services function for the multi-site UK operations with a turnover exceeding £400 million.

The key responsibilities will be:

- Management of a department of 20 staff.
- Development of the relationship between the function and operations management.
- Support the integration of acquisitions into the business processes.
- Develop financial management systems and help move the business towards the introduction of SAP.
- Support process improvements within the UK and further promote the development of shared services.
- Drive total quality initiatives through a number of key projects.
- Budgeting, forecasting and reporting on departmental costs and improving efficiency/cost effectiveness of the function.

The successful candidate will be a qualified accountant with at least eight years post qualification experience. Key attributes will be positive leadership, good technical knowledge, a good strength of character, maturity, a down-to-earth nature and an ability to sell ideas for improvement.

Interested candidates should send their CV together with details of salary package to David Gunning ACA, Regional Manager at Michael Page Finance, Clarendon House, 81 Mosley Street, Manchester M2 3LQ. Alternatively, fax 0161 236 8059, quoting ref 467000. e-mail: davidgunning@michaelpage.com

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Financial Controller

The Royal College of Anaesthetists is the governing body for anaesthetists in the UK. It was established by Royal Charter as a charitable body in 1992. The College safeguards the interests of the public by promoting the highest standards of practice in anaesthesia, intensive care medicine and pain management. The College also represents anaesthetists within the medical profession, to government and to the international community.

Central London **£40,000**

Reporting to the Chief Executive, the Financial Controller has a central role to play in the continued success of the College and an opportunity to make a significant contribution as the College faces up to new challenges.

The main responsibilities of this key post are:

- Managing the finance function on a day-to-day basis, taking an active role in the development of staff.
- Providing financial input and advice to senior management on all strategic issues facing the organisation.
- Preparing high quality financial information including statutory reporting, quarterly management accounts and returns to the Charity Commission.
- Setting and monitoring budgets and producing the business plan.
- Overseeing investment policy and managing the College's cash flow.

The successful candidate will be a qualified accountant who can demonstrate proven management experience, excellent interpersonal skills and an ability to influence senior management at a time of change.

Interested candidates should write, enclosing their CV and details of current package, to Matthew Morris or Stephen Rutherford at Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LN. Fax 0171 831 6293, e-mail: matthewmorris@michaelpage.com

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INVESTMENT BANKING

SWAPS/ACCOUNTING
£35K - £55K + BONUS
Premier U.S. Investment Bank seek a high calibre Business Analyst for their Fixed Income capital Markets group. Your remit will include liaison with new business groups to define accounting requirements, identify and resolve analysis issues and assisting the development team during the design and construction phases. The successful candidate will have a strong academic background, analysis and testing skills, systems development experience and preferably accounting or SWAPS product knowledge. Outstanding career and financial rewards.

C++/STOCHASTIC METHODS
£40K - £60K+ BONUS
Pre-eminent European Derivatives House seeks a Financial Engineer for their Front Office Trading team. Working closely with quantitative analysts you will help build analytics libraries for the FX/Options Group. Successful candidates will have strong C++ programming skills, excellent numerical skills and a good understanding of capital markets. The role is challenging, exciting and extremely rewarding. High calibre candidates with a sound academic background need only apply.

VISUAL BASIC/FIXED INCOME
£35K - £50K
Leading Investment Bank seeks a Rapid Application Developer to work in their Global Fixed Income Group. Providing tactical development for Traders, you will be expected to deliver object orientated tools with an emphasis on long-term usability. You must have a minimum of two years experience of Global Markets, particularly Fixed Income and object orientated development techniques. You must be prepared to work in a dynamic, high pressure environment, unsupervised yet acting as a team player. High calibre candidates with a strong academic background need only apply.

C++/FIXED INCOME
£45K - £70K + BONUS
Fixed Income Derivatives Group of this Global U.S. Investment Bank seek a highly qualified Financial Engineer. Developing and supporting the Derivatives system you will work closely with the quantitative team to implement models and re-engineer prototypes. A strong numerical background is essential, coupled with financial markets knowledge and a minimum of two years C++ programming expertise. An outstanding career opportunity.

QUANTITATIVE ANALYST
£40K - £50K + BONUS
Premier European Derivatives House seeks a junior Quantitative Analyst to join their OTC options team. Initial duties will include research analysis, mathematical modelling and verification of option pricing models. The successful candidate will have an impeccable academic background to include a numerical based PhD and have strong communication skills coupled with an enthusiasm for the financial markets business. A challenging and rewarding career move.

BUSINESS ANALYST
£40K - £55K
World leading Investment Bank has an opportunity for a Business Analyst to work in their Technical Support Group. The successful candidate will work on a wide variety of projects including redesign of the middle office systems and improving the consolidated view of Front Office positions for P&L and risk management purposes. Proven project management skills, through business analysis, development and testing, to sign off and roll out are essential, coupled with excellent communication and presentation skills in order to liaise with users, IT and senior management. Candidates with a strong academic record wishing to pursue a challenging career in IT and Project Management need only apply.

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The people the City turn to first.

Many of our clients also offer Contract opportunities requiring the above skills.
ARC are preferred suppliers to the top financial institutions. This is a selection of current opportunities in the City. We have many more.
Our consultants have an in-depth understanding of this market and how it can work best for you, so please call Paul Wilkins or Amanda Crossland on 0171 287 2525 to discuss your options. Alternatively please send, fax or e-mail your CV to us at: ARC Recruitment, 15-16 New Burlington St, London W1X 1FF. Fax: 0171 287 9888. E-mail: arc@itjobs.co.uk

RISK ANALYSTS QUANTITATIVE DEVELOPERS

GLOBAL INVESTMENT BANK
FIXED INCOME AND EQUITY DERIVATIVES

RISK MANAGEMENT **CITY**

Our client is one of the world's foremost global investment banks with a strong reputation for leadership in financial product development and technological innovation. They are now seeking to recruit a small number of highly talented quantitative analysts and quantitative developers to join this front office group. The group is a stimulating mix of quantitative analysts and quantitative developers sitting side by side the trading and sales desks developing, enhancing and integrating trading and market risk models.

An excellent science/mathematics background is required and should include a 1st or 2.1 honours degree from a top-tier university ideally with a high degree and preferably a minimum of six months financial experience. For both roles, hands-on computing experience is required including for example C, C++, VisualC++, Visual Basic, Excel etc. Enthusiasm will be a distinct advantage.

Remuneration packages are excellent and include a substantial bonus and benefits package.

In the strictest confidence, please send a full CV to Craig Millar at Millar Associates, 6 Sloane Street, Knightsbridge, London SW1X 9LE. Please quote reference no. FT1811. Tel: 0171 823 2222. Fax: 0171 823 2208. Email: millarassociates@sw1.telme.com

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BANKING FINANCE & GENERAL APPOINTMENTS

HEAD OF INTERNAL AUDIT
LEADING EUROPEAN BANK

CITY, LONDON **£ EXCELLENT**

As one of the five largest financial institutions in Europe, this focused universal bank has a clearly defined customer oriented profile They provide Treasury Services, Corporate Banking and Property Finance, to an international client base.

Due to continuous growth of the business, a senior audit professional is required to manage a team which reports on the adequacy and effectiveness of the bank's system of internal control. This will be achieved by a formal evaluation of the risks associated with the bank's current and proposed business systems. The successful candidate will be expected to develop and maintain strong working relationships both internally and externally to ensure that effective use is made of all resources.

The ideal candidate will have specialised in the application of modern auditing techniques and will have experience of supervising staff.

You will fit the following profile:

- professionally qualified
- strong financial services background, with at least 10 years experience of the banking industry
- currently employed in the audit department of a bank or similar financial institution at manager level or above
- have the ability to advise and act in a consulting role whilst maintaining the highest standards of professional independence
- be capable of communicating at all levels throughout the group

The above position is an exciting prospect for someone looking for an interesting professional working environment. If you feel you possess the necessary attributes and wish to develop your career in a challenging and stimulating environment, please contact Paul Gladstone at Robert Walters Associates, 10 Bedford Street, London, WC2E 9HE. Tel: + 44 171 915 8746, 07970 884 218 (evenings), Fax: + 44 171 915 8714, E-mail: paul.gladstone@robertwalters.com or if you are applying from Asia, contact James Gundry at Robert Walters Associates, 21st Floor, Jardine House, One Connaught Place, Central Hong Kong. Tel: + 852 2525 7808, fax: + 852 2525 7768, E-mail: james.gundry@robertwalters.com Web: http://www.robertwalters.com
You may also apply via http://taps.com/Robert_Walters quoting reference RW165

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Entry to Headhunting (Corporate Finance)
Assistant to Managing Director

UK/EUROPEAN COVERAGE, CAMBRIDGE BASE **£30K-£100K**

This is an opportunity for a City professional to step straight into a top level international Headhunting role following a 6-9 month apprenticeship acting as Assistant to the Managing Director. Initially you will run the Managing Director's operational office – within three months taking personal responsibility for the project management and transaction of retained mandates in London and European financial centres. This apprenticeship period, which attracts a fixed salary, will give you immediate exposure to high level international Search assignments typically attracting fees of between £50k and £150k per assignment.

On successful completion of a maximum of 9 months in the post you will progress to full Consultant status and take on an operational desk in the Banking and Corporate Finance division. With bonus and benefits your package will then approximate to one third of personal revenue (revenue target £300k+ per annum).

To qualify you must be working in a City role in Corporate Finance, Investment Banking, Broking or related Legal area, or possibly within an M&A department. Differentiating characteristics include Western European languages, experience of plc advisory work and/or a contact and knowledge base within a mainstream industry sector group (e.g. Telecoms). Most of all you r st have a burning desire to succeed in a new career, and the professional presence to operate at this assignment level.

To apply, please forward full career details including current salary package to Sharron Wren.

Phoenix Search & Selection, Milton Hall, Milton, Cambridge, CB4 6AB Tel: 01223 441661. Fax: 01223 440851.

PHOENIX

Head of Division
Private Client Investment Management
Leading Kent Law Firm

Our client is a leading law firm in the South East, with a large number of commercial clients as well as an extensive private client practice. The firm has an expanding investment management business and now wishes to appoint an experienced private client investment manager to head and develop the division.

Based in Tunbridge Wells, the role will involve the development of investment business from new and existing clients, the management of individual portfolios and leadership of the team of investment and administrative personnel. Professional expertise and the ability to handle the planned growth of the department are key attributes.

The successful candidate will have a current, proven track record as a professional investment manager with an ability to lead the investment team as well as possessing the personal qualities to build confidence amongst the firm's partners and their clients. It is envisaged that the role will appeal to candidates who recognise the quality of life and calibre of work available with a reputable provincial firm.

In addition to a negotiable basic salary there is an attractive bonus scheme and fringe benefits package. To apply, please write enclosing your cv, (including details of your current salary package and daytime contact number), quoting Ref: 1501 to Fiona Law at FLA Ltd, 211 Piccadilly, London W1V 9LD. Tel: 0171 738 9732 Fax: 0171 917 2932.

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FT FINANCIAL TIMES

les Echos
Le Quotidien de l'Economie

The FT can help you reach additional business readers in France. Our link with the French business newspaper, Les Echos, gives you a unique recruitment advertising opportunity to capitalise on the FT's European readership and to further target the French business world. For information on rates and further details please telephone: Karl Loynton on +44 0171 873 3694

BSMG WORLDWIDE
EUROPEAN FINANCE DIRECTOR

LONDON HEAD OFFICE — **TO £80,000 + BENEFITS**

BSMG Worldwide is one of the world's Top 10 public relations and communications management firms. True North Inc, its US parent company is the sixth largest advertising and marketing services agency worldwide. BSMG Worldwide is the current US 'Agency of the Year' according to a leading US trade journal, and has been the fastest growing agency for the past three years.

In Europe the company already owns one of the UK's best known PR firms Charles Barker|BSMG and has recently acquired quality businesses in Brussels and Hamburg. Further expansion in Europe is a major priority and it is committed to building a strong European network.

In support of this aim, the company now seeks to recruit a European Finance Director. The role reports to the CEO for Europe, works closely with the CFO of the US PR firm and joins the European Board of Management.

Responsibilities will be varied and include:

- financial integration of the expanding European network companies including introduction of appropriate accounting and reporting systems and controls
- financial consolidation of the European network results and timely reporting to European board and US GAAP reporting requirements
- provision of commercial financial support including tax and treasury management to the European businesses to maximise both profit and cash stream
- identification of potential acquisition targets and coordination of the due diligence process and evaluation of results

The ideal candidate will be a truly commercial Finance Director with a passion for and a commitment to building a strong European network. He or she will be a graduate qualified accountant with a minimum of five years post qualification experience, ideally gained in a service led, time charging environment.

Previous experience in dealing with European cross border issues, understanding US reporting requirements, and post merger and acquisition integration is required. French or German language skills will be an advantage, as the role will involve 10 - 20% travel.

This opportunity will suit an individual with a results oriented approach and the ability to thrive in a demanding and rapidly changing environment.

Critical for success are strong technical skills, cultural sensitivity, a 'can do' attitude and the necessary initiative to think outside the box.

For a confidential discussion please call Janet Arnold ACA or alternatively send an updated copy of your Curriculum Vitae stating current salary package, to Robert Walters Associates, 10 Bedford Street, London, WC2E 9HE. Tel: 0171 379 3333 or fax: 0171 915 8714.
E-mail: janet.arnold@robertwalters.com Web: http://www.robertwalters.com
You may also apply via http://taps.com/Robert_Walters quoting reference RW225.

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VENTURE CAPITAL
GROUP FINANCIAL CONTROLLER

CITY — **c£55,000 + CAR AND BENEFITS**

This dynamic Private Equity Firm is seeking to recruit a high calibre Group Financial Controller, who will report to the Group Finance Director. The successful candidate will manage a small team responsible for the efficient running of the financial and management accounting functions.

Key tasks will comprise of all aspects of financial control; the preparation to tight deadlines, of monthly management information and regulatory returns and the production of statutory accounts. In addition, the appointee will be responsible for overseeing the company's private equity portfolio information system and IT Function.

The successful candidate will:

- be a graduate qualified accountant, preferably with experience of working in the financial services industry
- make an immediate positive impact on the finance function
- be an effective man manager with a proven track record of success
- have the ability to become a driving force in a dynamic team environment

If you feel you fit the profile and are looking for a career move into a fascinating and fast moving company you should contact in the first instance Giles Daubeney or Jason Garner at Robert Walters Associates, 10 Bedford Street, London, WC2E 9HE.
Tel: 0171 379 3333 or fax: 0171 915 8714.
E-mail: jason.garner@robertwalters.com
Web: http://www.robertwalters.com
You may also apply via http://taps.com/Robert_Walters quoting reference RW224.

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OUTSTANDING CAREER OPPORTUNITIES
FINANCIAL SERVICES

CITY — **£ EXCELLENT**

This highly innovative and entrepreneurial financial services organisation has experienced exceptional growth over the last seven years. Growing by acquisition and innovative third party consultancy, the group currently has a customer base of 400,000 and employs over 400 staff in its City based offices.

As the market leader in its particular fields and having invested heavily in leading edge technology, the organisation is ideally poised to continue its impressive rate of expansion into the millennium and beyond.

Senior management have identified three areas where new expertise is required to lead strategic business decisions, critically assess projects and produce high quality, incisive financial reports, all of which will be key to the group's development and growth plans.

Individuals will be from a financial services background and will ideally have some exposure to the Personal Financial Services Market.

The three critical roles are:

CONSULTANCY FINANCE MANAGER
- coordinate and structure the financial aspects of the group's ambitious growth plans in providing consultancy services to third parties
- develop Internal Financial Management Costing

FINANCE MANAGER
- working within the Group Finance function and liaising with senior management
- perform due diligence on prospective acquisitions
- maintain all aspects of the regulatory framework
- staff Management and Development

SENIOR MANAGEMENT/STATUTORY ACCOUNTANT
- responsibility for Group budgeting
- production of expense allocation matrices
- maintaining monthly and annual reporting
- external auditor liaison and ad hoc project work

To succeed within this organisation you will be creative, team driven individual with a results orientated approach. In addition you will be a qualified accountant educated to degree level, with at least three years' pqe. In return you can expect unparalleled career opportunities allowing you to make a real contribution to the growth of this highly dynamic organisation.

Interested candidates should forward a detailed Curriculum Vitae to David Chancellor at Robert Walters Associates, 10 Bedford Street, London, WC2E 9HE. Tel: 0171 379 3333. Fax: 0171 915 8714.
E-mail: david.chancellor@robertwalters.com Web: http://www.robertwalters.com
You may also apply via http://taps.com/Robert_Walters quoting reference RW226.

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UDV

Senior Business Support Manager, Europe

Central London — **Comprehensive Package**

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United Distillers & Vintners (UDV) is the world's leading spirits and wines company. UDV trades in more than 200 countries, has annual sales of more than 100 million nine-litre cases and owns the leading international brands in most spirits categories.

With operating profits of about £1.3 billion, UDV contributes some 60% of the profits of Diageo - one of the world's leading consumer goods companies, formed in 1997 by the merger of GrandMet and Guinness. With an annual turnover of around £14 billion, Diageo has four world class international food and drinks businesses: UDV, Pillsbury, Guinness and Burger King.

The Business Support team has been established in order to improve the quality of all decision making which has financial implications. The Senior Business Support Manager will join a team of four reporting to the Director of Business Support, Europe.

Responsibilities will include:

- Provide high quality business decision support to the "in market" finance and commercial teams
- Actively participate in the development of strategic plans to maximise shareholder value
- Ensure Business Support best practice is developed throughout Europe
- Provide quality business planning for all Brands including an understanding of brand dynamics, such as volume, pricing, marketing investment etc
- Deputise for the Director of Business Support, Europe as appropriate
- The role will require in the region of 50% travel.

To succeed in this role you will be a commercially astute and strategic thinking qualified accountant or MBA with excellent financial and business modelling skills. You will have international experience in a blue-chip multi-national, management consultancy or corporate finance environment and exposure to a branded FMCG organisation will be viewed as an additional strength. Essential attributes will include the ability to challenge conventional thinking in order to improve decision making techniques and to work effectively within multi-functional teams.

Please apply, enclosing full CV and remuneration details to Samantha Camp at Jones Christopher. Please quote SC4005 on all correspondence. Any CVs sent directly to UDV will be forwarded to Jones Christopher.

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IT Appointments

INVESTMENT BANKING

SWAPS/ACCOUNTING
£35K - £55K + BONUS

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The people the City turn to first.

Many of our clients also offer Contract opportunities requiring the above skills.

ARC are preferred suppliers to the top financial institutions. This is a selection of current opportunities in the City. We have many more.

Our consultants have an in-depth understanding of this market and how it can work best for you, so please call Paul Wilkins or Amanda Crossland on 0171 287 2525 to discuss your options. Alternatively please send, fax or e-mail your CV to us at: ARC Recruitment, 15-16 New Burlington St, London W1X 1FF. Fax: 0171 287 9688. E-mail: arc@itjobs.co.uk

RISK ANALYSTS QUANTITATIVE DEVELOPERS

GLOBAL INVESTMENT BANK
FIXED INCOME AND EQUITY DERIVATIVES

RISK MANAGEMENT **CITY**

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An excellent science/mathematics background is required and should include a 1st or 2.1 honours degree from a top-tier university ideally with a high degree and preferably a minimum of sic months financial experience. For both roles, hands-on computing experience is required including for example C, C++, VisualC++, Visual Basic, Excel etc. Enthusiasm will be a distinct advantage.

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BANKING FINANCE & GENERAL APPOINTMENTS

HEAD OF INTERNAL AUDIT
LEADING EUROPEAN BANK

CITY, LONDON **£ EXCELLENT**

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- have the ability to advise and act in a consulting role whilst maintaining the highest standards of professional independence
- be capable of communicating at all levels throughout the group

The above position is an exciting prospect for someone looking for an interesting, professional working environment. If you feel you possess the necessary attributes and wish to develop your career in a challenging and stimulating environment, please contact Paul Gladstone at Robert Walters Associates, 10 Bedford Street, London, WC2E 9HE. Tel: + 44 171 915 8746, 07970 884 218 (evenings), Fax: + 44 171 915 8714, E-mail: paul.gladstone@robertwalters.com or if you are applying from Asia, contact James Gundry at Robert Walters Associates, 21st Floor, Jardine House, One Connaught Place, Central Hong Kong. Tel: + 852 2525 7808, fax: + 852 2525 7768, E-mail: james.gundry@robertwalters.com Web: http://www.robertwalters.com

You may also apply via http://taps.com/Robert_Walters quoting reference RW165.

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To qualify you must be working in a City role in Corporate Finance, Investment Banking, Broking or related Legal area, or possibly within an M&A department. Differentiating characteristics include Western European languages, experience of plc advisory work and/or a contact and knowledge base within a mainstream industry sector group (e.g. Telecoms). Most of all you must have a burning desire to succeed in a new career, and the professional presence to operate at this assignment level.

To apply, please forward full career details including current salary package to Sharron Wren.

Phoenix Search & Selection, Milton Hall, Milton, Cambridge, CB4 6AB Tel: 01223 441661. Fax: 01223 440851.

PHOENIX

Head of Division
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Leading Kent Law Firm

Our client is a leading law firm in the South East, with a large number of commercial clients as well as an extensive private client practice. The firm has an expanding investment management business and now wishes to appoint an experienced private client investment manager to head and develop the division.

Based in Tunbridge Wells, the role will involve the development of investment business from new and existing clients, the management of individual portfolios and leadership of the team of investment and administrative personnel. Professional expertise and the ability to handle the planned growth of the department are key attributes.

The successful candidate will have a current, proven track record as a professional investment manager with an ability to lead the investment team as well as possessing the personal qualities to build confidence amongst the firm's partners and their clients. It is envisaged that the role will appeal to candidates who recognise the quality of life and calibre of work available with a reputable provincial firm.

In addition to a negotiable basic salary there is an attractive bonus scheme and fringe benefits package. To apply, please write enclosing your cv, (including details of your current salary package and daytime contact number), quoting Ref: 1501 to Fiona Law at FLA Ltd, 211 Piccadilly, London W1V 9LD. Tel: 0171 738 9732 Fax: 0171 917 2932.

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